

Billing Code 4210-29P
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR-4596-N-01]

Notice of Funding Availability
for the Economic Development Initiative (EDI)
Community Empowerment Fund (CEF) Pilot

AGENCY: Office of the Assistant Secretary for Community Planning and Development, HUD.

ACTION: Notice of Funding Availability.

SUMMARY: Purpose of the Program. This Notice of Funding Availability (NOFA) announces the availability of \$10 million in FY-1998 EDI funds to stimulate economic development by local governments and private sector parties. HUD desires to see the EDI funds made available under this NOFA and the related Section 108 funds used to finance loans to businesses for eligible economic development projects that will provide near-term results and demonstrable economic benefits, such as job creation, needed business services and facilities in underserved areas, and increases in the local tax base. Under this NOFA (in contrast to previous EDI NOFAs), the use of EDI funds is specifically limited to the funding of a common debt service/loan loss reserve to enhance the security of the related obligations guaranteed by HUD under Section 108 of the Act (as defined in Section III(A)(1) below). An EDI grant under this NOFA must be used in conjunction with a new Section 108-guaranteed loan commitment, at a minimum ratio of at least \$1 of EDI funds for every \$7 of new section 108 proceeds used.

Available Funds. \$10 million in funds appropriated for FY-1998 is available for EDI grants under this NOFA.

Eligible Applicants. Eligible applicants are Community Development

Block Grant entitlement units of general local government and non-entitlement units of general local government eligible to receive loan guarantees under 24 CFR part 570, subpart M. Urban counties as defined in 24 CFR 570.3 and 570.307 may apply for funding, but units of general local government which participate in the Urban County may not submit an application independent of the Urban County.

Application Deadline. **AUGUST 18, 2000.**

Match. None.

ADDITIONAL INFORMATION

I. Application Due Date, Further Information, and Technical Assistance

Application Due Date. Please submit your completed applications (one original and two copies) on or before **12:00 midnight, Eastern time, on August 18, 2000**, to the address shown below.

Address for Submitting Applications. To HUD Headquarters. Submit your completed application (an original and one copy) to: Processing and Control Unit, Room 7251, Office of Community Planning and Development, Department of Housing and Urban Development, 451 Seventh Street, SW, Washington, DC 20410, Attention: **EDI Grant** □ **CEF Pilot**, by mail or hand delivery. As noted below, an additional copy of the application is requested to be sent to the appropriate HUD Field Office. Timeliness of submission of and EDI Grant-CEF Pilot application, however, is determined by receipt of the original application and one copy to HUD Headquarters.

There is no application kit for this NOFA. All information and material required to submit an application for funding under this NOFA are included in the NOFA and the appendices to the NOFA.

To the Appropriate CPD Field Office. At the same time you submit your

application to HUD Headquarters, you must submit an additional copy of your application to the Community Planning and Development Division of the appropriate HUD Field Office for your jurisdiction.

When submitting your application, please refer to **EDI** **CEF Pilot**, and include your name, mailing address (including zip code) and telephone number (including area code).

For Further Information and Technical Assistance. You may contact Paul Webster of the Office of Economic Development and Empowerment Service, Department of Housing and Urban Development, 451 Seventh Street, SW, Room 7180, Washington, DC 20410; telephone (202) 708-1871 (this is not a toll-free number). Persons with speech or hearing impairments may access this number via TTY by calling the toll-free Federal Information Relay Service at 1-800-877-8339.

The Section 108 Loan Guarantee program is not a competitive program and therefore is not subject the HUD Reform Act. HUD staff will be available to provide advice and assistance to develop your Section 108 loan applications.

Satellite Broadcast. HUD will hold an information broadcast via satellite for potential applicants to learn more about the program and preparation of the application. For more information about the date and time of the broadcast, you should consult the HUD web site at <http://www.hud.gov>.

II. Amount Allocated

A maximum of \$10 million is available for the EDI grants under this NOFA as appropriated in the Department of Veterans Affairs and Housing and Urban Development and Independent Agencies Appropriations Act, 1998 (Pub. L. 105-65, approved October 27, 1997) (FY 1998 HUD Appropriations Act) and set aside for purposes of the development of the CDBG Risk Reduction Pool

(hereafter, the CEF Pilot) as briefly described in the FY 1998 NOFA for Economic Development and Empowerment Programs (see Economic Development Initiative Section I(D) at 63 FR 23900).

III. Program Description; Eligible Applicants; Eligible Activities.

(A) Program Description. For purposes of this NOFA, the EDI funds awarded will be used solely to fund a common debt service/loan loss reserve account to enhance the security of related obligations guaranteed by HUD under Section 108 of the Act (as defined in Section III(A)(1) below). An EDI grant must be used in conjunction with a new Section 108 guaranteed loan commitment as more fully described later in this document. Both Section 108 loan guarantee proceeds and EDI grant funds are initially made available by HUD to public entities approved for assistance pursuant to this NOFA. Each such public entity will use the Section 108 loan proceeds to make loans to businesses to finance eligible economic development projects and will assign its rights under the related loan documents to a pooling entity (described in this NOFA as the "CEF Pilot"). Concurrently, the public entity will provide EDI funds to the CEF Pilot to be deposited into a common debt service/loss reserve. Pursuant to 31 U.S.C. 1552, all EDI funds awarded under this NOFA must be expended by September 30, 2005. Consequently, all business loans made with related section 108 proceeds must be closed and taken into the pool administered by the CEF Program Manager by September 30, 2005. EDI funds not so expended by September 30, 2005 may be recaptured by HUD. HUD reserves the right to set an earlier date for such expenditures in the EDI and/or Section 108 loan guarantee documents.

(1) Definitions. Terms used in this NOFA have the meanings given in 24 CFR part 570 unless otherwise specified.

Act means Title I, Housing and Community Development Act of 1974, as amended, (42 U.S.C. 5301-et seq.).

Application means a single set of documents submitted by an eligible applicant for EDI grant funds accompanied by a Section 108 loan guarantee request in accordance with the provisions of this NOFA to finance a economic development projects.

Business loan means a loan made with Section 108 proceeds by a participating community selected under this NOFA in accordance with the terms of this NOFA for an eligible economic development project.

CDBG funds means those funds collectively defined at 24 CFR 570.3, including grant funds received pursuant to section 108(q) of the Act and this NOFA.

CEF Pilot means a not-for-profit limited liability company ("LLC") that is organized pursuant to Delaware law to serve as the pooling entity to hold and administer business loans made by applicants selected under this NOFA.

CEF Program Manager means the contractor selected by HUD to manage the CEF Pilot. The contractor at this time and its team of subcontractors are described in Section III(A)(5)(h) of this NOFA.

Economic Development Initiative (EDI) means the competitive award of economic development grant assistance under section 108(q) of the Act, as authorized by Section 232 of the Multifamily Housing Property Disposition Reform Act of 1994 (Pub.L. 103-233, approved April 11, 1994).

Economic development project means a loan to a for-profit business to finance a project that is eligible under the Act and under 24 CFR 570.703(i)(1) - 570.203(b), and that increases economic opportunity for persons of low- and moderate-income or that stimulate or retain businesses or

jobs or that otherwise lead to economic revitalization.

Empowerment Zone or Enterprise Community means an urban area so designated by the Secretary of HUD pursuant to 24 CFR part 597 or part 598, or a rural area so designated by the Secretary of Agriculture pursuant to 7 CFR part 25, subpart B.

Strategic Plan means a strategy developed and agreed to by the nominating local government(s) and State(s) and submitted in partial fulfillment of the application requirements for an Empowerment Zone or Enterprise Community designated pursuant to 24 CFR part 597 or part 598.

(2) Background. (a) HUD has multiple programs which are intended to stimulate and promote economic and community development. Primary among HUD's resources are the Community Development Block Grant (CDBG) program and the Section 108 loan guarantee program.

(b) The CDBG program provides grant funds (approximately \$4.240 billion in FY 2000) by formula to eligible local governments (either directly or through States) to carry out community and economic development activities. In general, the Section 108 loan guarantee program provides local governments with a source of financing for economic development, public facilities and other eligible physical development projects. More specifically, proceeds from loans guaranteed under section 108 can be used to make loans to third parties (e.g., for loans to for-profit businesses where such assistance is appropriate to carry out economic development projects), as described in this NOFA.

HUD is authorized pursuant to Section 108 to guarantee notes issued by CDBG entitlement communities, and non-entitlement units of general local government eligible to receive funds under the State CDBG program. The

Section 108 program is subject to the regulations of 24 CFR part 570 applicable to the CDBG program, as described in 24 CFR part 570, subpart M. EDI grants must support Section 108 loan guarantees as generally described in this NOFA.

(c) For FY 2000, the Section 108 program is authorized at \$1.261 billion in loan guarantee authority. The full faith and credit of the United States will be pledged to the payment of all guarantees made under Section 108. Under this program, communities (and States, if applicable) are required by the Act to pledge their continuing CDBG allocations as security for loans guaranteed by HUD. However, for purposes of this NOFA, the CEF Pilot will be responsible, to the extent of reserve funds available, for making all payments on the Section 108 loans from amounts it collects on the business loans and from the loss reserve created from the EDI funds contributed by participating communities. Only if such reserves are exhausted will a community (or State, if applicable) be required to use CDBG funds to pay the amount of any payment then due on its related Section 108 obligation and not paid by the LLC from reserves.

(3) EDI Program. The EDI program was enacted in 1994 and is intended to complement and enhance the Section 108 Loan Guarantee program. A purpose of EDI grant funds is to reduce grantees' potential loss of future CDBG allocations:

(a) By strengthening the economic feasibility of the projects financed with Section 108 funds (and thereby increasing the probability that the project will generate enough cash to repay the guaranteed loan);

(b) By directly enhancing the security of the section 108-guaranteed obligations; or

(c) Through a combination of these or other risk mitigation techniques.

(4) Purpose of this EDI NOFA. For purposes of this NOFA, HUD is requiring EDI and related Section 108 funds to be used solely to finance business loans meeting the criteria described in Section III(A)(5) of this NOFA. HUD expects such loans to provide near-term results and demonstrable economic benefits, such as job creation, area benefit through improved business services and facilities in underserved areas, and increases in the local tax base. The use of EDI funds provided under this NOFA is specifically limited to enhancing the security of related section 108-guaranteed obligations issued by eligible applicants selected under this NOFA. When a business loan eligible under this NOFA is approved for inclusion in the common security pool, the participating community will be required to authorize the requisite EDI contribution in connection with that business loan to be paid into a common debt service/loan loss reserve interests in which will serve as part of the security for the related section 108-guaranteed obligations. The process of underwriting and approval of the business loans, the determination of the amount of the related EDI contributions, and how the business loan pool and related debt service/loan loss reserve will be set up and administered is described in Section III(A)(5) of this NOFA.

The CEF Pilot pooled business loan and security structure described in this NOFA for EDI-Section 108 financing is intended to supplement, but not to replace, the regular EDI and Section 108 loan guarantee programs. If funds are appropriated for EDI in the future, HUD would expect, subject to Congressional direction, to continue both the CEF Pilot financing structure and the regular EDI and Section 108 programs.

(5) Description of the CEF Pilot. The CEF Pilot is designed to mitigate the risk of loss to a community's CDBG program inherent in making business loans funded by Section 108 loans. The CEF Pilot combines modern private sector financial engineering with privatization of much of the administration of business loans.

(a) How the CEF Pilot will operate. The CEF Pilot will hold and service the Section 108 qualifying business loans that are placed into the CEF Pilot by participating communities. The key components of the CEF Pilot are: the use of EDI grant funds to provide a pooled cash reserve to cushion against losses resulting from defaults on business loans funded through the Section 108 program; and pooling of credit risk associated with the business loans.

In return for the assignment of business loan assets to the CEF Pilot, the community receives an interest in the CEF Pilot's assets - the EDI cash reserve, payments from the business borrowers, and potential investment earnings on the CEF Pilot's available cash. The CEF Pilot is designed to provide a flow of cash payments that will effectively over-collateralize the community's related liabilities under its corresponding Section 108 note or notes. To the extent of available cash, the CEF Pilot will make payments on the Section 108 note(s) for each participating community and deposit any excess payment received from the business borrower into the cash reserve account. The cash reserve account will absorb business loan losses, until exhausted. At the end of the CEF Pilot, participating communities will receive a distribution of any remaining cash in the cash reserve account. This distribution will be adjusted in proportion to the losses experienced by the pool on loans the communities have placed in the pool.

In addition to the community building achieved from strengthening new

and expanding businesses through Section 108 financing, communities will receive substantial benefits from participating in the CEF Pilot. They include:

- ✍ Professional private sector underwriting and loan pricing
- ✍ Significantly reduced Section 108 loss exposure due to:
 - ✍✍ Professional assessment of loan-by-loan credit risk
 - ✍✍ EDI grant funded cash reserve to absorb losses, until exhausted
 - ✍✍ Modern servicing techniques
 - ✍✍ Pooling of credit risk
 - ✍✍ Simplified, streamlined Section 108 and EDI approvals
 - ✍✍ Relief from the administrative burden of servicing Section 108 Business Loans
- ✍✍ Potential cash distribution of any excess cash reserve to participating communities on dissolution of the CEF Pilot, adjusted for losses on loans the community placed into the pool.

HUD will continue its full faith and credit guarantee of timely payment of principal and interest to the investors that provide the Section 108 funding to municipalities and their constituents through the standard interim financing and underwritten public offering processes. Participating communities will continue to be the borrowers from the Section 108 program and they will continue to secure that borrowing with a pledge to HUD of CDBG grants. Thus, communities should note that HUD cannot assure that CDBG funds will never have to be used for Section 108 debt service. However, the CEF Pilot's cash reserve and its modern pooling and credit enhancement techniques should virtually eliminate the possibility of catastrophic losses to communities as a result of borrowing under Section 108. Moreover, as noted

above, any excess cash in the reserve account will be distributed to the participating communities when the CEF Pilot wraps up its existence.

As discussed below, the use of professional and centralized servicing and administration of the Section 108 business loans accepted into the CEF Pilot will address any payment delinquencies efficiently and mitigate the likelihood of a business loan default. In addition, any default or workout situation will be handled by the CEF Program Manager directly with the business borrower and not with the participating community.

(b) Types of loans that the CEF Pilot will accept. Business loans accepted by the CEF Pilot must meet the specific requirements of both HUD and the CEF Program Manager. The streamlined application and approval process is summarized in the section titled "The CEF Pilot Business Loan Underwriting and Pricing Process" below. Each business loan must comply with the program requirements described in Section IV of this NOFA. Each business loan will also be documented and secured using standard loan and security instrument forms to be supplied by the CEF Program Manager, customized as necessary for settlement of the business loan.

The separate CEF Pilot requirements are stated in the CEF Pilot Business Loan Underwriting and Pricing Guidelines (the "underwriting guidelines") that are summarized below (see section III.(C)(5)(c)(i) of this NOFA for availability to applicants of the underwriting guidelines). Most notable among these underwriting requirements is the type of collateral. The primary security must be a recorded lien on real estate owned or leased by the recipient of the business loan. HUD expects that most of the loans in the pool to be set up pursuant to this NOFA will be secured solely by liens on real estate. However, liens on "hard" physical assets such as machinery and

equipment will be considered as supplemental security, which will be closely scrutinized as to value, useful life, and general suitability as security. Only the collateral and not the "purpose" of the Section 108 business loan will determine its acceptability. Thus, for example, even if a business borrower intends to use the loan proceeds for expanding its inventory, the business loan may be approved for the CEF Pilot if the borrower provides acceptable real property collateral.

Loans originated by communities in connection with business borrowers' development, construction and rehabilitation projects can be pre-approved. The Section 108 interim lending facility can be utilized for the construction stage financing. The CEF Pilot, subject to the completion of the construction work, will accept permanent financing of such loans.

The minimum size for a single business loan to be included in the pool to be set up pursuant to this NOFA is two hundred thousand dollars (\$200,000).

The maximum business loan size is two million dollars (\$2,000,000). Without prior approval from both HUD and the CEF Program Manager, no single community can place business loans into the CEF Pilot totaling more than ten million dollars (\$10,000,000). It is anticipated that a participating community will use Section 108 guaranteed loan funds to make multiple business loans.

Loan terms may range from fifteen to twenty years with loan amortization schedules not to exceed thirty years. Moreover, the cumulative scheduled principal and interest payments on the corresponding Section 108 note may not exceed the cumulative scheduled monthly amortization on the business loan or loans for the same period.

The interest rate on each business loan will exceed the interest rate on the community's corresponding Section 108 obligation. The amount of such "spread" depends upon the credit risk presented by the particular loan as set forth in the underwriting guidelines, and will be established by the CEF Program Manager.

To defray start-up expenses, the CEF Pilot will assess an "acceptance fee" on all business loans when the loan proceeds are remitted to the business borrower. (See Section III(A)(5)(g) which addresses fees and expenses.) The business borrower may pay the acceptance fee at the closing of the project loan, or the community may elect to capitalize the amount of this fee into the Section 108 note and the principal amount of the business loan.

(c) The CEF Pilot Business Loan Underwriting and Pricing Process. The CEF Pilot will utilize the uniform underwriting guidelines for all business loans considered for contribution into the CEF Pilot. The necessary steps to take a project from its origination to underwriting and then to acceptance by the CEF Pilot involve three major processes: qualification and application, underwriting and due diligence, and commitment and closing.

(i) Qualification and Application. The first step in the qualification and application process is the pre-qualification and training of local loan originators/underwriters selected by the CEF Program Manager. The training process will also include training for the participating communities with regard to the CEF program and underwriting guidelines. An integral component of the underwriting guidelines is the CEF pricing model (the "pricing model").

(Note: The CEF Pilot underwriting manual, including underwriting guidelines, and related documents will be available from HUD Headquarters upon request, to the extent they are completed by the CEF Program Manager and approved by HUD.

Please contact the HUD office identified under "For Further Information and Technical Assistance under Section I of the NOFA.)

The local loan originators/underwriters will initiate the application process and utilize the CEF Pilot underwriting and pricing guidelines to "size" and price the business loans. The pricing model will determine the optimal loan terms, applicable risk tier of the business loan and the corresponding amount of EDI or other funds required for the cash reserve.

If a business loan successfully passes the initial review by the local originator/underwriter, the CEF Pilot's central underwriter (identified below) will conduct a preliminary review of the efforts of the local originator/underwriter and determine if the business loan is congruent with the type and quality of assets to be contributed to the CEF Pilot. If necessary, the central underwriter will revise the preliminary pricing and initial required reserve amount as appropriate and provide the potential project with indicative loan terms.

In parallel, the HUD Field Office will review the proposed project (not the CEF pricing) for compliance with Section 108 program requirements. If the local HUD office approves the proposed project, Section 108 funds are made available to the community to fund the business loan. It is important to highlight the separation of roles: the community and HUD will continue to review projects for compliance with the various requirements of Section 108, while the CEF Program Manager and its team will review business loans for compliance with the underwriting criteria of the CEF Pilot.

The final step in this initial process is for the community or the local originator/underwriter to prepare and issue the standard CEF Pilot Loan Application to the business borrower. If the business borrower elects to

execute the loan application, the business borrower will be charged an application fee. (See Section III(C)(5)(g) for a discussion of fees.) The estimated timeframe for the steps involved in qualification and application process is five to seven business days.

(ii) Underwriting and Due Diligence. The next process is formal underwriting and due diligence. Once the business borrower executes the formal application, the community engages the pre-qualified and trained local originator/underwriter to initiate formal underwriting of the project under consideration. The local originator/underwriter processes the loan application and underwrites the proposed transaction using the CEF Pilot Underwriting Manual. The local originator/underwriter maintains close contact with the CEF Pilot central underwriter so that any underwriting issues are identified and addressed as early in the process as possible. The local originator/underwriter will document its conclusion in a Loan Recommendation Memorandum. This memorandum (a spreadsheet-based template) will document the local originator/underwriter's compliance with the underwriting guidelines, as well as document the local originator/underwriter's assumptions and argument for the conclusion that the loan be either approved, approved subject to specific conditions, or rejected. The local originator/underwriter will make every effort to present the case subject to the least possible number of closing conditions.

The central underwriter then reviews the loan recommendation memorandum, with all pertinent supporting documentation and reports. The central underwriter arranges for a loan committee meeting via telephone conference. The loan committee is composed of experts from the CEF Program Manager's contractor team. In this meeting, the local originator/underwriter will

present and defend its recommendation. The meeting will culminate with one of the following from the central underwriter: concurrence; concurrence subject to revisions; or rejection of the local originator/underwriter's recommendation. The central underwriter will have the right to reject any proposed business loan based on its determination that the loan presents an undue risk to the overall pooled loan portfolio. Concurrence or rejection by the central underwriter will be documented by a Loan Approval/Denial Letter summarizing the loan terms as approved or revised, along with any conditions to its approval or advice of its denial. In the case of an approved business loan, this document obligates the CEF Pilot to accept the funded business loan if all conditions to approval are satisfied. The estimated timeframe for the formal underwriting and due diligence process is twenty five to thirty five business days.

(iii) Commitment and Closing. After completion of formal underwriting, the central underwriter prepares a Commitment Letter and forwards it to the local originator/underwriter. The local originator/underwriter forwards the commitment letter to the community for execution (after completion of the community's environmental review and HUD approval of a release of funds in accordance with Section VIII(A) of this NOFA) and delivery to the business borrower. Assuming that the business borrower signs and returns the commitment letter to the community, the community forwards copies of the executed commitment letter to the local originator/underwriter and the central underwriter. The local originator/ underwriter works with the business borrower to satisfy any conditions of closing the loan. The satisfaction of closing conditions is evidenced by Closing Condition Memoranda to be prepared by the local originator/underwriter and forwarded to the central underwriter

who concurs that specific conditions have been satisfied. Also during this period, the settlement attorney (in accordance with standard business practice the business borrower pays for legal closing documentation to be collected under the direction of the central underwriter) prepares the CEF Pilot's standard loan documents. The business borrower is given a reasonable opportunity to review the loan and security documents for its loan prior to execution. The CEF Program Manager informs the community and the local HUD office that the transaction should be funded upon execution and delivery of closing documentation, which will satisfy all closing conditions, to the central underwriter. Section 108 funds are disbursed to the business borrower via the CEF Transmittal Account with simultaneous exchange of the loan and related documents contributed to the CEF Pilot (see more complete description of this process at Section III(C)(5)(f), below). The estimated timeframe for commitment and closing is twenty to thirty business days after completion of underwriting and due diligence.

(d) Structure of the CEF Pilot. The legal form of the "CEF Pilot" is a not-for-profit limited liability company ("LLC") that is organized pursuant to Delaware law. The term "CEF Pilot" is used herein to refer to the LLC. Participating communities will place qualifying business loans into the CEF Pilot, and communities awarded EDI grant funds under this NOFA will commit to use these funds for the CEF Pilot's pooled cash reserve. Specific reserve amounts per loan will be determined by application of the underwriting guidelines on a case-by-case basis as described above. In return for such contributions the participating communities will receive "member interests" initially based upon the principal amount of the business loans that they place in the CEF Pilot.

Once a business loan is approved for the CEF Program and assigned to the CEF Pilot, participating communities will have no further administrative burden with respect to financial servicing and collection of the business loan. The CEF Pilot will hold the business loan assets and will receive and account for the business borrowers' loan payments. However, the community remains responsible for any data collection, reporting and compliance issues with respect to "programmatic" matters - Section 108/EDI national objectives, public benefit and other regulatory requirements.

The business borrowers will make their loan payments directly to the CEF Pilot's central servicer. The CEF Pilot will receive payments from the central servicer periodically and will be required to use the cash that it collects to make the principal and interest payments on the corresponding Section 108 notes and to pay its operating expenses. Available cash in excess of those requirements will be added to the cash reserve and invested in accordance with the approved investment guidelines. The cash reserve will be used as necessary to enable the CEF Pilot to meet the payment obligations on the Section 108 notes when there are shortfalls caused by loan delinquencies, defaults and collection losses. If the cash reserve experiences a shortfall in available cash at anytime, the shortfall will be apportioned ratably to all participating communities. Should any community not have CDBG allocations available to make a payment then due on the related Section 108 note as a result of the shortfall, HUD will be required to honor its guarantee of the community's Section 108 note in the amount of the shortfall when the payment is due. Should the community later have sufficient CDBG allocations available, HUD will recoup its guarantee payment from that source. However, as in the regular Section 108 program, the community will not be generally

liable for payment from non-CDBG sources unless the community specifically agrees to another source of repayment (see 24 CFR 570.705(b)(3) and (d)).

The CEF Pilot is "self-liquidating" in that its assets will naturally shrink over time as business loans amortize or pre-pay, or as the Pilot collects on the collateral for any business loans that may have defaulted. Eventually, therefore, the CEF Pilot will have no more loan assets. This may be twenty years after the formation of the CEF Pilot (the maximum permissible term for the business loans), but it may be somewhat earlier due to prepayments. Additional payments may occur some time later due to prolonged servicing and workouts of business loans. Thus, the "lifetime" for the CEF Pilot cannot be predicted with certainty.

The CEF Pilot is designed with the intention that by the time that the CEF Pilot has collected upon all of the business loans, the CEF Pilot will have fully paid the related Section 108 notes. It is also anticipated that an excess cash reserve will then remain in an amount that may be distributed to the participating communities in proportion to their outstanding member interests, adjusted as described below. It is likely that the amount of the reserve will fluctuate somewhat over time in a path determined by the flow of payments into and out of the CEF Pilot, the timing and resolution of credit problems, and the CEF Pilot's return on investment for the reserve. If actual losses experienced are not substantially in excess of expectations, however, there should be an excess cash reserve available for distribution to the participating communities. The amount a participating community is eligible to receive from such distribution will be reduced if a business loan it assigns to the CEF Pilot defaults and the default results in a loss. The amount of the reduction will be proportionate to the loss or losses incurred.

(e) Credit Enhancements for Participating Communities. The CEF Pilot takes advantage of several modern techniques for minimizing credit risk:

- ✎ Professional, objective, and independent underwriting judgment in the pricing of loans is the principal credit loss safeguard.
- ✎ The use of EDI grant funds to establish the cash reserve that will be the initial "cushion" to absorb loan losses.
- ✎ There will be a credit "spread" between the interest rates charged business borrowers on the qualifying business loans contributed to the CEF Pilot as compared to the (lower) interest rate assessed on the community's Section 108 note obligation.
- ✎ The CEF Pilot will have both the EDI grant funds and the cash generated by the interest rate spread available in the reserve to absorb credit losses. The CEF Pilot will invest the reserve (in safe and liquid obligations approved by HUD) so that there are earnings on the reserve to absorb further any credit losses.
- ✎ The pooling of losses against the pooled reserve minimizes the probability that total losses will exceed the total reserve.

The general principle underlying the CEF Pilot's credit enhancement is "over-collateralization." This means that, because of the initial EDI funding of the reserve, plus the cash inflow from the interest rate spread, recoveries on collateral, and earnings on the reserve over time, the CEF Pilot should always have assets on hand that exceed the amount of the corresponding Section 108 liabilities provided that loan losses do not significantly exceed expectations.

The Underwriting Guidelines, the financial design of the CEF Pilot, and the prospective amounts of EDI grants, are such that HUD is reasonably

confident that the reserve will insulate participating communities from credit losses of a catastrophic nature.

(f) Administration and Servicing of business loans. The CEF Pilot involves communities early, as business loans are approved by HUD and by the CEF Pilot central underwriter at origination, but the CEF Program Manager and the other members of the CEF Program Manager's contractor team then relieve communities of the ongoing administrative burden of servicing and collection of the loan, as described above in this NOFA.

There will be a standardized CEF Pilot document package that will be used for the underwriting, approval and origination of all business loans.

The CEF Program Manager has established a transmittal account for all Section 108 fundings. When a business loan is approved (by HUD and by the CEF Pilot) and ready to close, the lending community will execute and deliver the Section 108 note and will cause the Section 108 funds to be transferred into the CEF Pilot's transmittal account. When the underlying business loan closes, the participating community will direct the transfer of proceeds to the business borrower's account against delivery of the borrower's note, collateral documents and other loan documents.

The participating community will authorize delivery of the business borrower's loan documents to the CEF Pilot with documentation of the transfer of ownership of the business borrower's note to the CEF Pilot. The CEF Pilot will contemporaneously receive the corresponding loss reserve contribution (source: EDI grant or other funds). Other than monitoring periodic reports from the Pilot, the lending community is relieved of any financial loan management responsibilities after closing the project loan. (The community does retain responsibility for ensuring compliance with all program

requirements, e.g., complying with the CDBG national objectives and public benefit requirements and ensuring business borrower's compliance with any conditions imposed as a result of the environmental review.) (See Section III(C)(2) of this NOFA.) The community will be able to use the periodic reports as a source of information that may assist it in monitoring compliance with program requirements (e.g., if a business loan is in default, it may indicate a problem in meeting minimum job creation requirements) as well as monitoring the financial status of the CEF Pilot.

The business borrowers will send their monthly loan payments directly to the CEF Pilot's central servicer for processing. The CEF Pilot will also directly remit the required Section 108 note payments of principal and interest to the Section 108 Fiscal Agent and Trustee.

The CEF Pilot will issue regular financial reports to the participating communities and to HUD that detail the performance of the loan assets, account for cash inflows and outflows, and report changes in the amounts of the cash reserve balance, the unpaid principal of the still outstanding business loans, and the outstanding Section 108 note balance.

(g) Fees and Expenses. The CEF Pilot will charge an application fee to each business borrower for business loans considered for acceptance. For business loans accepted by the CEF Pilot, each business borrower will be charged an acceptance fee of up to sixty two and one half basis points (.625%) of the business loan amount. In addition, the CEF Pilot will charge an annual operating fee of not less than .75% and not more than 1.25% of the then outstanding balance of the loan assets, payable monthly, depending on the size of the loan pool. (The ability of the business borrower to make all payments on the business loan, including the monthly fees, will be an underwriting

consideration.)

There may be certain additional expenses that the CEF Pilot incurs, and which the business loan documents will require the business to pay. Examples of these expenses are the costs of collecting on collateral for defaulted loans, such as legal fees, recording fees, trustee's fees and the like. In addition there may be incentive fees paid to a Special Servicer engaged to collect upon seriously delinquent or defaulted loans. However, these fees will not be assessed against the participating communities.

(h) The CEF Team of Private Sector Contractors. The Bank of New York Company, Inc. ("BNY") is the CEF Program Manager. BNY is a leading provider of investor and trust services worldwide. BNY will also serve as the Manager of the LLC that the CEF Pilot program first establishes.

Altschuler, Melvoin and Glasser LLP ("AM&G") is responsible for underwriting and pricing the business loans originated by the participating communities and together with certain affiliates will serve as the Central Servicer and Central Underwriter for the CEF Pilot.

First Security Investor Reporting ("First Security") is responsible for the CEF loan pricing model and portfolio reporting. First Security will work closely with AM&G and HTCNY throughout the CEF Pilot.

Brown & Wood LLP ("Brown & Wood") is Counsel to the CEF Program Manager. Brown & Wood is an international law firm headquartered in New York, and has approximately 400 attorneys worldwide. Brown & Wood has substantial experience with securitization, public finance and other financial practice areas of particular relevance to the CEF Program.

Kormendi\Gardner Partners ("KGP") is the Financial Advisor to the Program Manager.

In addition to the above identified contractors, the CEF Program Manager will select the local underwriters.

(i) The Program Manager was selected by HUD by competition under Federal contracting procedures, and the development of documentation such as the Underwriting Manual, pricing model, standard loan documents, and other necessary documentation, including documents for the creation of the CEF Pilot LLC, was funded by HUD's Office of Policy Development and Research under a Federal procurement contract. The contract provides for certain program evaluation and reporting responsibilities for the Program Manager. Public entities selected for EDI assistance, and receiving related Section 108 loan guarantee assistance, as well as businesses applying for or receiving business loans through the CEF Pilot, shall cooperate with the Program Manager and HUD in providing reasonable information deemed necessary by HUD in connection with such program evaluation.

(B) Eligible Applicants. Any public entity eligible to apply for Section 108 loan guarantee assistance pursuant to 24 CFR 570.702 may apply for EDI grant assistance under Section 108(q). Eligible applicants are CDBG entitlement units of general local government and non-entitlement units of general local government eligible to receive loan guarantees under 24 CFR part 570, subpart M. Urban Counties, as defined at 24 CFR 570.3 and 570.307, are eligible applicants for EDI funds; units of general local government which participate in an Urban County program are not independently eligible applicants. For non-entitlement applicants other than those subject to 24 CFR 570, subpart F, applicants will be required to provide proof that the State will support the related Section 108 loan with a pledge of its CDBG funds pursuant to the requirements of 24 CFR 570.705(b)(2). Note that effective January 25, 1995,

non-entitlement public entities in the states of New York and Hawaii were authorized to apply to HUD for Section 108 loans (see 59 FR 47510, December 27, 1994). Thus, non-entitlement public entities in all 50 states and Puerto Rico are eligible to participate in the Section 108 and EDI programs. (Please note, however, that the State of New York has initiated the process of electing to administer the CDBG program in non-entitlement areas of the state; consequently, New York non-entitlement public entities may be required to provide proof that the State is willing to pledge its CDBG funds to the repayment of the Section 108 obligations.)

(C) Eligible Activities and National Objectives. (1) EDI grant funds awarded under this NOFA shall be used solely for the purpose of establishing debt service/loan loss reserves, eligible under 24 CFR 570.703(k). Section 108 loan guarantee funds may be used solely for activities listed at 24 CFR 570.703(i)(1) and 24 CFR 570.203(b). If your application, including the section 108 request (see Section IV(I) of this NOFA), fail to provide for these uses, HUD will not give the application a rating.

(2) Each activity assisted with Section 108 loan guarantee or EDI funds must meet a national objective of the CDBG program as described in 24 CFR 570.208. You must clearly identify in your narrative statement (as described in Section V.(D) below) the CDBG national objective your proposed project will achieve and provide the appropriate CDBG national objectives regulatory citation found at 24 CFR 570.208. Also, you must address how your proposed activities will comply with the public benefit standards of the CDBG program as reflected in the regulation at 24 CFR 570.209 for the CDBG Entitlement and Small Cities programs or 24 CFR 570.482 for the State CDBG program.

In the aggregate, your use of CDBG funds, including any Section 108 loan

guarantee proceeds and section 108(q) (EDI) funds provided pursuant to this program section of this NOFA, must comply with the CDBG primary objectives requirement as described in section 101(c) of the Act and 24 CFR 570.200(c)(3), or 24 CFR 570.484 in the case of State grantees.

You will be responsible for determinations, record-keeping and other documentation of compliance with the eligibility, national objectives, and public benefit requirements, and other applicable statutory and regulatory requirements applicable to EDI and section 108 funds (as cited in this Section 111(C), with HUD approval, in a manner similar to other EDI/section 108 awards. However, since the business loans and EDI funds contributed to the common debt service/loan loss reserve will be common security for all of the related section 108 obligations issued by the participating jurisdictions selected under this NOFA, and all such loans must be closed on standard loan documents provided by the Program Manager as described in Section III(A)(5) of this NOFA, you must enter into any specific agreements with participating businesses that you deem necessary for purposes of compliance with such requirements, such as job creation goals, business location requirements, etc, separately from the standard loan documents provided by the Program Manager.

IV. Program Requirements

This section provides requirements that are applicable to applicants for funding under this NOFA as well as applicants that are awarded EDI grants under this NOFA.

(A) CDBG Program Regulations. In addition to 24 CFR 570.701 (Definitions), 570.702 (Eligible applicants), and 570.703 (Eligible activities), as explained elsewhere in this NOFA, the CDBG regulatory requirements in 24 CFR 570.707, including subpart J (Grant Administration), subpart K (Other Program

Requirements), and subpart O (Performance Reviews) govern the use of EDI funds, as applicable.

(B) Compliance with Applicable Laws. An award of EDI funding does not in any way relieve you or third party users of EDI funds from compliance with all applicable Federal, State and local laws.

(C) Thresholds Requirements -- Compliance with Fair Housing and Civil Rights Laws. All **applicants and their subrecipients** must comply with all Fair Housing and civil rights laws, statutes, regulations and executive orders as enumerated in 24 CFR 5.105(a). If you are a Federally recognized Indian tribe, you must comply with the nondiscrimination provisions enumerated at 24 CFR 1000.12. While an Indian tribe is not an eligible direct recipient of a section 108 loan guarantee, an Indian tribe may be a subrecipient of an eligible unit of general local government.

If you, the applicant --

(1) Have been charged with a systemic violation of the Fair Housing Act by the Secretary alleging ongoing discrimination;

(2) Are a defendant in a Fair Housing Act lawsuit filed by the Department of Justice alleging an ongoing pattern or practice of discrimination; or

(3) Have received a letter of noncompliance findings under Title VI, Section 504, or Section 109 --

HUD will not rate and rank your application under this NOFA if the charge, lawsuit, or letter of findings has not been resolved to the satisfaction of the Department before the application deadline stated in this NOFA. HUD's decision regarding whether a charge, lawsuit, or a letter of findings has been satisfactorily resolved will be based upon whether

appropriate actions have been taken to address allegations of ongoing discrimination in the policies or practices involved in the charge, lawsuit, or letter of findings.

(D) Additional Nondiscrimination Requirements. You, the applicant and your subrecipients, must comply with the Americans with Disabilities Act of 1990 (42 U.S.C. 1201 et seq.), and Title IX of the Education Amendments Act of 1972 (20 U.S.C. 1681 et seq.).

(E) Affirmatively Furthering Fair Housing. If you are a successful applicant, you will have a duty to affirmatively further fair housing. Again, except as may be provided otherwise in this NOFA, you, the applicant, should include in your application or work plan the specific steps that you will take to:

- (1) Address the elimination of impediments to fair housing that were identified in the jurisdiction's Analysis of Impediments (AI) to Fair Housing Choice;
- (2) Remedy discrimination in housing; or
- (3) Promote fair housing rights and fair housing choice.

Further, you, the applicant, have a duty to carry out the specific activities provided in your responses to the NOFA rating factors that address affirmatively furthering fair housing. However, such activities may not be funded from the EDI funds awarded under this NOFA since the funds must be used exclusively for debt service/loan loss reserves.

Since all eligible applicants will also be CDBG grantees, or nonentitlement CDBG recipients from States, the applicant may satisfy its affirmatively furthering fair housing obligation hereunder by referring to satisfactory provisions in its Consolidated Plan, as applicable.

(F) Economic Opportunities for Low and Very Low-Income Persons (Section 3).

If you are awarded an EDI grant, you will be required to comply with section 3 of the Housing and Urban Development Act of 1968, 12 U.S.C. 1701u (Economic Opportunities for Low and Very Low-Income Persons in Connection with assisted Projects) and the HUD regulations at 24 CFR part 135, including the reporting requirements in subpart E of part 135. Section 3 requires recipients to ensure that, to the greatest extent feasible, training, employment and other economic opportunities will be directed to (1) low and very low income persons, particularly those who are recipients of government assistance for housing and (2) business concerns which provide economic opportunities to low- and very low-income persons.

(G) Relocation. Any person (including individuals, partnerships, corporations or associations) who moves from real property or moves personal property from real property directly (1) because of a written notice to acquire real property in whole or in part, or (2) because of the acquisition of the real property, in whole or in part, for a HUD-assisted activity is covered by Federal relocation statute and regulations. Specifically, this type of move is covered by the acquisition policies and procedures and the relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (URA), and the implementing governmentwide regulation at 49 CFR part 24. The relocation requirements of the URA and the governmentwide regulations cover any person who moves permanently from real property or moves personal property from real property directly because of rehabilitation or demolition for an activity undertaken with HUD assistance. In addition, pursuant to 24 CFR 570.704(e), you are required to comply with additional requirements referred to in 24 CFR 570.606,

as well as 24 CFR part 43.

(H) Conflicts of Interest. If you are a consultant or expert who is assisting HUD in rating and ranking applicants for funding under this NOFA, you are subject to 18 U.S.C. 208, the Federal criminal conflict of interest statute, and the Standards of Ethical Conduct for Employees of the Executive Branch regulation published at 5 CFR part 2635. As a result, if you have assisted or plan to assist applicants with preparing applications for this NOFA, you may not serve on a selection panel, and you may not serve as a technical advisor to HUD for this NOFA. All individuals involved in rating and ranking this NOFA, including experts and consultants, must avoid conflicts of interest or the appearance of conflicts. Individuals involved in the rating and ranking of applications must disclose to HUD's General Counsel or HUD's Ethics Law Division the following information if applicable: how the selection or non-selection of any applicant under this NOFA will affect the individual's financial interests, as provided in 18 U.S.C. 208; or how the application process involves a party with whom the individual has a covered relationship under 5 CFR 2635.502. The individual must disclose this information prior to participating in any matter regarding this NOFA. If you have questions regarding these provisions or if you have questions concerning a conflict of interest, you may call the Office of General Counsel, Ethics Law Division, at 202-708-3815 and ask to speak to one of HUD's attorneys in this division.

(I) Related Section 108 Loan Guarantee Application.

(1) Each EDI application must be accompanied by a request for new Section 108 loan guarantee assistance. Notwithstanding the form of your request for new section 108 loan guarantee assistance under paragraphs (a), (b), (c), or (d) of this section below, you must include citations to the specific regulatory subsections supporting activity eligibility and national objectives compliance for the project described in your application. For purposes of this NOFA, the only acceptable activity eligibility citation for use of EDI funds is 24 CFR 570.703(k) and the only acceptable eligibility citation for the related section 108 funds is 24 CFR 570.703(i)(1) - 570.203(b). Both the EDI and Section 108 funds must be used in conjunction with the same business loans/economic development projects. This request may take any of several forms as defined below.

(a) A formal application for new Section 108 loan guarantee(s), including the documents listed at 24 CFR 570.704(b).

(b) A brief description (not to exceed three pages) of the business loan program to be applied for in a new Section 108 loan guarantee application(s). Such 108 application(s) must be submitted within 60 days of a notice of EDI selection, with HUD reserving the right to extend such period on a case-by-case basis where HUD determines there is evidence of good cause.

EDI awards will be conditioned on approval of actual Section 108 loan commitments. This Section 108 application description must be sufficient to support the basic eligibility of the proposed business loan program for Section 108 assistance. (See Section III(C) of this NOFA.) In general, it should also describe the location of the lending area as well as the types of businesses expected to participate and the loan terms expected to be offered,

e.g., repayment period, lien priority, and the purposes of the financing, such as real estate acquisition, construction, machinery and equipment, or working capital.

(c) A copy of a pending, unapproved Section 108 loan guarantee application, and any proposed amendments to the Section 108 application which are related to the EDI application. The applicant's submission of such an EDI/Section 108 application shall be deemed by HUD to constitute a request to suspend separate processing of the Section 108 application. The Section 108 application will not be approved until on or after the date of the related EDI award.

(d) A request for a Section 108 loan guarantee assistance (analogous to Section IV.(I)(1)(a) or (b) of this NOFA above) that proposes to increase the amount of a previously approved application. However, any amount of Section 108 loan guarantee authority approved before HUD's award of an EDI grant under this NOFA cannot be used in conjunction with the EDI funds awarded pursuant to this NOFA.

(2) Further, a Section 108 loan guarantee amount that is required to be used in conjunction with a prior EDI or Brownfields Economic Development Initiative (BEDI) grant award, whether or not the Section 108 loan guarantee has been approved as of the date of this NOFA, is not eligible for use in conjunction with an EDI award under this NOFA. For example, if a public entity has a previously approved Section 108 loan guarantee commitment of \$12 million, even if none of the funds have been utilized, or if the public entity had previously been awarded an EDI grant of \$1 million and had certified that it will submit a Section 108 loan application for \$10 million in support of that EDI grant, the public entity's EDI application under this NOFA must

propose to increase the amount of its total Section 108 loan guarantee commitments beyond those amounts (the \$12 million or \$10 million in this example) to which it has previously agreed.

(J) General Limitations on Use of EDI and Section 108 Funds. Certain restrictions shall apply to the use of EDI and Section 108 funds:

(1) EDI grants must not be used as a resource to immediately repay the principal of a loan guaranteed under Section 108. Repayment of principal is only permissible with EDI grant funds as a matter of security if other sources projected for repayment of principal prove to be unavailable.

(2) You may not use Section 108 funds to finance activities that also include financing generated through the issuance of federally tax exempt obligations. Pursuant to Office of Management and Budget (OMB) Circular A-129 (Policies for Federal Credit Programs and Non-Tax Receivables), Section 108 guaranteed loan funds may not directly or indirectly support federally tax-exempt obligations.

HUD will not consider for funding any EDI proposal in which the related Section 108 loan guarantee would be used solely as security, and Section 108 funds are not drawn down until default on the business loan. EDI funds are to be used to support and enhance only business loans financed with Section 108 loan guarantee proceeds from HUD's interim lending or public offering mechanisms and thereby leverage greater use of the Section 108 program. Awarding EDI funds to a project which would use the Section 108 guarantee only as a security guarantee for other financing can be tantamount to making a simple grant to the project and thereby fails to fulfill the goals of the EDI program.

(K) Time-frames. EDI grant awards will contain conditions requiring you to adhere to your stated time-frames for implementing your proposed projects and drawing Section 108 and EDI funds. If you fail to adhere to these schedules, HUD may recapture the EDI funds.

(L) Limitations on Grant Amounts.

(1) HUD expects to approve EDI grant amounts for approvable applications at a range of ratios of EDI grant funds awarded to new Section 108 loan guarantee commitments, but the minimum ratio will be \$1 of EDI grant funds for every \$7 of Section 108 loan guarantee commitments. In addition, HUD expects on the average to achieve even higher leverage ratios, e.g., approximately 1 to 10 under this NOFA.

For example, an applicant requesting an EDI grant of \$1 million will be required to apply for a minimum of \$7 million in new Section 108 loan guarantee commitments. Of course, even though the minimum EDI to Section 108 ratio is 1:7, applications with higher ratios will receive more points under Rating Factor 4, "Leveraging Resources/Financial Need" and, all other things being equal, will be more competitive. However, applicants should bear in mind that the leverage ratio is a function of the risk level of the business loan portfolio originated with Section 108 guaranteed loan funds. For example, if the business loan portfolio of Community A has a higher risk profile than Community B's portfolio, the amount of EDI funds used to fund the contribution to the CEF Pilot's debt service/loss reserve for Community A's business loans will be higher (as a percentage of the aggregate loan amount) than the required contribution for Community B's loans. The minimum ratio of EDI grant funds to Section 108 commitments (i.e., 1:7) indicates loss reserve contributions equal to approximately 14% of the loan amount. This further

indicates that the business loans originated by the community whose application provided for the minimum EDI - Section 108 ratio would fall into a higher risk category than would be the case with a higher EDI - Section 108 ratio (e.g., 1:12).

An applicant community is therefore encouraged to carefully consider the risk profile of the business loan portfolio it will originate with the Section 108 guaranteed loan funds. Applicants are also cautioned that very high leverage ratios could be determined by HUD to be unrealistic, since even lower risk business loans must be accompanied by contributions to the CEF Pilot's reserve. While the loss reserve contribution for each business loan would be determined on a case by case basis, each loan will be classified by the CEF Pilot underwriter as falling in one of three risk tiers. Communities may use the following guidelines in developing proposed leveraging ratios:

(a) The minimum ratio of EDI grant funds to Section 108 commitments of 1:7 indicates average EDI contributions to the CEF Pilot's reserves of approximately 14% of the loan amount and a relatively higher risk loan portfolio;

(b) A ratio of EDI grant funds to Section 108 commitments of 1:10 indicates average EDI contributions to the CEF Pilot's reserves of approximately 10% of the loan amount and a relatively moderate risk loan portfolio; and

(c) A ratio of EDI grant funds to Section 108 commitments of 1:13 (or higher) indicates average EDI contributions to the CEF Pilot's reserves of approximately 8% of the loan amount and a lower risk portfolio.

Communities are also cautioned that the CEF Program Manager will continually evaluate the business loans originated by a participating

community to ensure that the actual risk level of that community's portfolio is not significantly higher than the risk level indicated in the approved application. The CEF Program Manager will have the discretion to reject business loans for acceptance into the CEF Pilot if the loans fall within a higher risk tier than indicated in the community's application and such acceptance would have a material effect on the risk level of the CEF Pilot's portfolio. The community should therefore ensure when it originates loans that the actual risk level of its business loan portfolio is generally consistent with the risk level described in its application.

Because a fundable application is competitive in part because of the applicant's proposed ratio of EDI funds to Section 108 guaranteed loan funds, HUD will condition the EDI grant award on the grantee's achievement of that specific ratio. Your failure to meet that condition by obtaining timely HUD approval of a commitment for, and issuance of, the required Section 108 guaranteed obligations ratio may result in the cancellation and recapture of all or a proportionate share of the EDI grant award.

Further, failure to give adequate consideration to the issues discussed above concerning the risk level of the business loan portfolio during the application development stage could result in the following problems following grant award. EDI grant recipients whose applications provided for the minimum EDI - Section 108 leverage ratio (i.e., \$1 of EDI grant funds for every \$7 of Section 108 loan guarantee funds) will be unable to use all of their EDI funds if the actual risk level is not as high as contemplated in the EDI applications. In such case, HUD may recapture the unused funds. On the other hand, EDI grant recipients whose applications included relatively high leverage ratios will have insufficient EDI grant funds to meet their minimum

Section 108 borrowing requirements if their business loans are classified by the CEF underwriter as falling in a higher risk tier than originally contemplated.

(2) HUD will cap EDI awards at a maximum of \$1 million under this NOFA.

(3) In the event you are awarded an EDI grant that has been reduced below the original request (e.g., insufficient funds were available to fund the last competitive application at the full amount requested or there were technical deficiencies that could not be resolved), you will be required to modify your project plans and application to conform to the terms of HUD's approval before HUD will execute a grant agreement. HUD also may proportionately reduce or deobligate the EDI award if you do not submit approvable Section 108 loan guarantee applications on a timely basis (including any extension authorized by HUD) in the amount required by the EDI/108 leveraging ratio which will be approved by HUD as a special condition of the EDI grant award, or if insufficient business loans are approved during the term of your business loan program to use the EDI funds awarded in the required ratio. Any modifications or amendments to your application approved pursuant to this NOFA, whether requested by you or by HUD, must be within the scope of the approved original EDI application in all respects material to rating the application, unless HUD determines that the revised application remains within the competitive range and is otherwise approvable under this competition.

(4) In the case of a requested increase in guarantee assistance for a project with a previously approved Section 108 loan guarantee commitment (as further discussed in Section IV.(I)(1)(d) of this NOFA, above), the EDI

assistance approved will be based on the increased amount of Section 108 loan guarantee assistance.

(M) Timing of Grant Awards. (1) To the extent you submit a full Section 108 application with your EDI grant application, HUD will evaluate the Section 108 application concurrently with the request for EDI grant funds. Note that EDI grant assistance cannot be used to leverage a Section 108 loan guarantee approved prior to the date of HUD's announcement of an EDI grant pursuant to this NOFA. However, the EDI grant may be awarded before HUD approval of the Section 108 commitment if HUD determines that such award will further the purposes of the Act.

(2) HUD notice to you of the amount and conditions of EDI funds awarded, based upon review of the EDI application, constitutes an obligation of grant funds, subject to compliance with the conditions of award and execution of a grant agreement. EDI funds must not be disbursed to the public entity before the issuance of the related Section 108-guaranteed obligations.

V. The Application Selection Process

(A) Rating Panels. To review and rate your applications, HUD may establish panels. These panels may include persons not currently employed by HUD. HUD may include these non-HUD employees to obtain certain expertise and outside points of view, including views from other Federal agencies.

(B) Rating. HUD will evaluate and rate all applications for funding that meet applicable requirements and rating factors for award described in this NOFA. The rating of you, as the "applicant," or of your organization, "the applicant's organization and staff," for technical merit or compliance will include any sub-contractors, consultants, and sub-recipients which are firmly committed to the project.

(C) Factors for Award Used to Evaluate and Rate Applications. (1) Each rating factor and the maximum number of points is provided below. The maximum number of points to be awarded is 102. All EDI applications must obtain a score of at least 70 points to be fundable. Depending upon the program for which you the applicant seek funding, the program may provide for up to four bonus points as provided in paragraphs (3)(a) and (3)(b) of this Section V(C).

(2) All technically acceptable applications will be scored under the selection criteria below.

All acceptable EDI grant applications will be separately ranked in order of points assigned with the applications receiving more points ranking above those receiving fewer points. Acceptable applications must be complete as required by the submission requirements of this NOFA. Applications will be funded in rank order until the total aggregate amount of the applications funded is equal to up to \$10 million (subject to the Department's discretion described in this NOFA).

(3) Bonus Points. (a) The NOFA provides for the award of up to **two bonus points** for eligible activities/projects that the applicant proposes to be located in federally designated Empowerment Zones (EZs), Enterprise Communities (ECs), or Urban Enhanced Enterprise Communities (EECs) and serve the residents of these federally designated areas, and are certified to be consistent with the strategic plan of these federally designated areas. (For ease of reference in the NOFA, these federally designated areas are collectively referred to as "EZs/ECs" and residents of these federally designated areas as EZ/EC residents.)¹ This NOFA contains a certification

¹ On December 21, 1994, President Clinton and Vice President Gore designated 72 urban areas and 33 rural communities as Empowerment Zones or Enterprise Communities. These designated areas receive more than \$1.0 billion

which must be completed for the applicant to be considered for EZ/EC bonus points. A list of the EZs, ECs and EECs (as well as more information about these designated areas) is available through the HUD web site at <http://www.hud.gov>. The list is also attached to this NOFA as **Appendix A**.

(b) Court-Ordered Consideration. For any application submitted by the City of Dallas, Texas, for funds under this NOFA for which the City of Dallas is eligible to apply, HUD will consider, under Rating Factor 3 below, the extent to which the strategies or plans in the city's application or applications will be used to eradicate the vestiges of racial segregation in the Dallas Housing Authority's low income housing programs. The City of Dallas should address the effect, if any, that vestiges of racial segregation in the Dallas Housing Authority's low income housing programs have on potential participants in the program covered by this NOFA, and identify proposed actions for remedying those vestiges. HUD may add up to 2 points to the score based on this consideration. This special consideration results from an order of the U.S. District Court for the Northern District of Texas, Dallas, Division.

(D) Narrative Statement. (1) Provide narrative statements describing the activities that you will carry out with the EDI grant funds. Your narrative statement must not exceed three (3) 8.5" by 11" pages.

(2) Describe how your proposed uses of EDI funds will meet the national objectives under 24 CFR 570.208 for the CDBG program and qualify as eligible

in performance grants and more than \$2.5 billion in tax incentives. On August 5, 1997, President Clinton signed the Taxpayers Relief Act of 1997 which established a second round of designations for 15 new urban areas and 25 rural areas as Empowerment Zones or Enterprise Communities. Round II designees were announced in January 1999.

activities under 24 CFR 570.703. **You must include citations to the specific regulatory subsections supporting activity eligibility and national objectives compliance.** (See Section III(C) of this NOFA).

(3) You must respond to the rating factors below. Each of the listed rating factors (or, where applicable, each subfactor) below has a separate page limitation specified.

(4) Print your narrative statements in 12 point type/font, and use sequentially numbered pages.

(E) **The Five Rating Factors.** HUD will consider your application for selection based on the following factors that demonstrate the quality of your proposed project or activities, and your capacity and commitment to obtain maximum benefit from the EDI funds, in accordance with the purposes of the Act.

Rating Factor 1: Capacity of the Applicant and Relevant Organizational Experience (25 Points)

[Your response to this factor is limited to three (3) pages.]

This factor addresses the extent to which you have the organizational resources necessary to successfully implement your proposed activities in a timely manner. The rating of the "applicant" or the "applicant's organization and staff" for will include any subcontractors, consultants, and subrecipients that are firmly committed (i.e., has a written agreement or a signed letter of understanding with the applicant agreeing in principle to its participation and role in the project). In rating this factor, HUD will consider the following:

(1) With regard to the EDI/Section 108 business loan program you propose, you should demonstrate that you (or other program participants) have

the capacity to implement the specific steps required to successfully carry out your proposed EDI/Section 108 program. This includes factors such as your:

(a) Previous performance in the administration of your CDBG, HOME or other programs;

(b) Performance and capacity in carrying out economic development programs that involve third party lending;

(c) Capacity to carry out your projects and programs in a timely manner (submission of a complete Section 108 application pursuant to Section IV.(I)(1)(a) or (c) of this NOFA will be deemed by HUD as one indicator of an applicant's ability to carry out the proposed project in a timely manner); and,

(d) If you are so designated, your capacity to manage projects under this NOFA along with any federal funds awarded as a result of a federal urban Empowerment Zone/Enterprise Community designation (including Enhanced Enterprise Community (EEC) designation).

(2) If you have previously received an EDI or BEDI grant award(s), you must describe the status of the implementation of those project(s) assisted with EDI or BEDI funds, any delays that have been encountered and the actions you are taking to overcome any such delays to carry out the project in a timely manner. For such previously funded EDI or BEDI grant projects, HUD will consider the extent to which you have used the awarded EDI or BEDI grant funds and the associated Section 108 guaranteed loan funds, and the accomplishments achieved.

(3) The capacity of subrecipients, nonprofit organizations and other entities that have a role in implementing your proposed business loan program

will be included in this review.

In addition to the application, HUD also may rely on information from performance reports, financial status information, monitoring reports, audit reports and other information available to HUD in making its determination under this factor.

Rating Factor 2: Distress/Extent of the Problem (15 Points)

[Your response to this factor is limited to three (3) pages.]

This factor addresses the extent to which there is need for funding your proposed business loan program based on levels of distress, and an indication of the urgency of meeting the need/distress in your target area.

(1) In applying this factor, HUD will consider current levels of distress in the immediate community to be served by your business loan program and the jurisdiction applying for assistance. If you are able to indicate a level of distress in the immediate program area that is greater than the level of distress in your jurisdiction as a whole, HUD will give your application a higher score for this factor. HUD requires you to use sound and reliable data that is verifiable to support the level of distress you claim in your application. You must provide a source for all information you cite and indicate the publication date or origination date of the data.

(2) In previous EDI competitions, the poverty rate was often considered the best indicator of distress. Therefore, at a minimum, your response must provide the poverty rate for your jurisdiction as a whole and for the areas to be served and/or where the EDI/Section 108 funded business loan program is located; however, in addition, you may demonstrate the level of distress with other factors such as income levels and unemployment rates.

(3) To the extent that your Consolidated Plan and your Analysis of

Impediments to Fair Housing choice (AI) identifies the level of distress in the community and the neighborhood in which your business loan program is being carried out, you should include references to such documents in preparing your response to this factor. Also, you should discuss the extent to which the analysis of impediments identifies unhealthy environmental conditions in your program area, and how such conditions negatively impact your target neighborhood.

Rating Factor 3: Soundness of Approach (30 Points)

[Your response to this factor is limited to three (3) pages.]

This factor addresses the quality and cost-effectiveness of your proposed plan. There must be a relationship between the proposed business loans, community needs and purposes of the program funding for you to receive points for this factor. In rating this factor, HUD will consider the following:

(1) The quality of your plan/proposal for the use of EDI funds and Section 108 loan funds, including the extent to which your proposed plan for effective use of EDI grant/Section 108-guaranteed loan funds will address the needs you described in Rating Factor 2 above regarding the distress and extent of the problem in your immediate community and/or jurisdiction. As part of the response to this factor, you should fully describe how your business loan program will achieve a national objective. Inasmuch as most programs are expected to involve loans to be made to businesses not yet identified, it may not be possible to determine which of the specific national objectives and public benefit criteria would be met by the individual business loans. Consequently, it may be necessary to condition the EDI grant award and the Section 108 loan guarantee commitment on a determination by the appropriate

HUD Field Office of compliance with the national objectives and public benefit requirements. Such condition would be imposed with respect to each business loan to be made with Section 108 guaranteed loan funds. You should demonstrate how your proposed project would mitigate or otherwise address the distress identified in Rating Factor 2 above.

(2) The extent to which your plan is feasible and likely to achieve its stated purpose. HUD's desire is to fund business loan programs which will quickly produce demonstrable results and advance the purposes of the EDI program, including the number of jobs to be created by the program and the impact of the program on job creation that will benefit individuals on welfare or low to very low income persons. You should demonstrate your knowledge of the steps required to implement your business loan program and the actions that you and others responsible for implementing your project must complete. You must include a time schedule for carrying out your program.

(3) The extent to which your proposed business loan program addresses your Analysis of Impediments and the needs identified in Rating Factor 2; the extent to which such business loan program will result in physical and economic improvement for the residents in the neighborhood in which your program will be carried out; the extent to which you will offer residents an opportunity to relocate to environmentally healthy housing or neighborhoods; or the extent to which current residents will benefit from the funded loans to enable them to work and continue to live in a redeveloped or revitalized neighborhood and thus share in the anticipated economic benefits your program is expected to generate.

(4) The extent to which your business loan program incorporates one or more elements that facilitate a successful transition of welfare recipients

from welfare to work. Such an element could include, for example, linking your proposed business loan program to social and/or other services needed to enable welfare recipients to successfully secure and carry out full-time jobs in the private sector; provision of job training to welfare recipients who might be hired by businesses financed through the proposal; and/or incentives for businesses financed with EDI/section 108 funds to hire and train welfare recipients.

(5) Due to an order of the U.S. District Court for the Northern District of Texas, Dallas Division, with respect to any application submitted by the City of Dallas, Texas, HUD's consideration of the response to this factor, "Soundness of Approach," will include the extent to which Dallas' plan for the use of EDI funds and Section 108 loans will be used to eradicate the vestiges of racial segregation in the Dallas Housing Authority's programs consistent with the Court's order. Up to two (2) additional points will be awarded to any application submitted by the City of Dallas, Texas, to the extent this subfactor is addressed.

Rating Factor 4: Leveraging Resources/Financial Need (20 Points)

[Page limits for the response to this factor are listed separately for each subfactor under this factor.]

In evaluating this factor, HUD will consider the extent to which your response demonstrates the financial need of your business loan program and the leverage ratio of Section 108 loan proceeds to EDI grant funds. This factor has two subfactors, each with its own maximum point total:

- (1) Leverage of Section 108 funds (5 points).

[Your response to this subfactor is limited to one (1) page.]

The minimum ratio of EDI grant funds to Section 108 guaranteed loan

funds in any business loan program may not be less than 1:7. The extent to which your proposed program leverages an amount of Section 108 funds beyond the 1:7 ratio will result in your receiving a higher number of points. If you use your EDI grant to leverage more new Section 108 commitments, your application will receive more points under this subfactor. However, for the reasons discussed in Section IV(L)(1), the extent to which Section 108 funds can be leveraged is limited by practical considerations of risk. Therefore, an application will not receive more points under this factor if the leverage ratio is higher than \$1 of EDI grant funds to \$13 dollars of Section 108 loan guarantee commitments.

(2) Leverage of other financial resources (15 points). Your response to this subfactor is limited to one (1) page plus supporting documentation evidencing third party commitment (written and signed) of funds. HUD will evaluate the extent to which you leverage other funds (public or private) with EDI grant funds and Section 108 guaranteed loan funds and the extent to which such other funds are firmly pledged to the business loan program. This could include the use of CDBG funds, other Federal or state grants or loans, your general funds, project equity or commercial financing provided by private sources or funds from non-profits or other sources. Funds will be considered pledged to the project if there is evidence of the third party's written commitment to make the funds available for an EDI/108 project, subject to approval of the EDI and Section 108 assistance and satisfactory completion of any environmental review required under 24 CFR part 58 for the project. For purposes of this subfactor, funds committed to the business loan program for purposes other than the funding of business loans and cash reserves may be counted. For example, other funds committed for training programs for persons

employed or to be employed by businesses receiving loans under the program may be counted for this subfactor. Note, that with respect to commitment of CDBG funds, your proposed use of CDBG funds must be included in your Consolidated Plan (or, an application approved by the State), subject to approval of the EDI and Section 108 assistance.

Rating Factor 5: Comprehensiveness and Coordination (10 Points)

[Your response to this factor is limited to two (2) pages.]

This factor addresses the extent to which you have coordinated your activities with other known organizations; you participate or promote participation in your or a State's Consolidated Planning and Analysis of Fair Housing Impediments processes; and you are working towards addressing a need in a comprehensive manner through linkages with other activities in the community.

In evaluating this factor, HUD will consider the extent to which you demonstrate you have:

(1) Coordinated your proposed business loan program with those of other groups or organizations before submission, in order to best complement, support and coordinate all known activities; and developed specific steps to share information on solutions and outcomes with others. Describe any written agreements or memoranda of understanding in place, or that will be in place after award.

(2) Developed linkages, or specific steps to develop linkages with other activities, programs or projects (through meetings, information networks, planning processes or other mechanisms to coordinate activities), so that solutions are holistic and comprehensive. Describe any linkages with other HUD-funded projects/activities outside the scope of those covered by the

Consolidated Plan, as well as established linkages and outreach with residents of your business loan program area. Particular emphasis should be placed on outreach efforts that ensure that, to the greatest extent feasible, training, employment and other economic opportunities have or will be directed to low and very low income residents within the area of the community where the business loan will be invested in order to meet the national objective of increasing access to jobs for residents of low-income communities.

(F) Adjustments to Funding.

(1) HUD reserves the right to fund less than the full amount requested in your application to ensure the fair distribution of the funds and to ensure that the purposes of the EDI program are met.

(2) HUD will not fund any portion of your application that is not eligible for funding under specific program statutory or regulatory requirements; which does not meet the requirements of this NOFA or which may be duplicative of other funded programs or activities from previous years' awards or other selected applicants. Only the eligible portions of your application (including non-duplicative portions) may be funded.

(3) If funds remain after funding the highest ranking applications, HUD may fund part of the next highest ranking application. If you, the applicant, turn down the award offer, HUD will make the same determination for the next highest ranking application. If funds remain after all selections have been made, remaining funds may be available for other competitions.

(4) In the event HUD commits an error that, when corrected, would result in selection of an otherwise eligible applicant during the funding round of this NOFA, HUD may select that applicant when sufficient funds become available.

(5) After selection, but prior to award, if HUD determines that your application could be funded at a lesser EDI grant amount than requested consistent with feasibility of the funded business loan program and the purposes of the Act, HUD reserves the right to reduce the amount of the EDI award and/or increase the required Section 108 loan guarantee commitment, if necessary.

VI. Application Submission Requirements

If you are submitting an application for funding under this NOFA you must submit the items listed in this Section VI to have a complete application.

(A) Transmittal Letter signed by the authorized representative of your organization indicating that you are submitting your application for funding under the Economic Development Initiative Program and you are requesting funding consideration for an EDI project.

(B) Request for Loan Guarantee Assistance. A request for loan guarantee assistance under Section 108, as further described in Section IV(I) of this NOFA. Full application guidelines for the Section 108 program are found at 24 CFR 570.704.

(C) Narrative Response to Factors for Award:

(1) Rating Factor 1: Capacity and Relevant Organizational Experience. Provide a narrative indicating your capacity and the relevant capacity of your organization and staff to perform the work for which you are requesting funding.

(2) Rating Factor 2: Need Statement Identifying the level of Distress/Extent of the Problem. Provide a narrative statement including any documentation supporting your statement of need.

(3) Rating Factor 3: Soundness of Approach. Include your activities, budget and time frame for conducting activities in your response.

(4) Rating Factor 4: Leveraging Resources/Financial Need. Provide a narrative response to this factor.

(5) Rating Factor 5: Comprehensiveness and Coordination. Provide a narrative response to this factor.

(D) Additional Application Forms and Certifications. You must also submit the following forms and certifications:

- (1) Application for Federal Assistance (Standard Form (SF) 424);
- (2) Standard Form for Assurances - Non-Construction Programs (SF 424B);
- (3) Drug-Free Workplace Certification, HUD-50070;
- (4) Certification of Payments to Influence Federal Transactions, HUD 50071, and if engaged in Lobbying, the Disclosure Form Regarding Lobbying, SF-LLL;
- (5) Applicant/Recipient Disclosure/Update Report, HUD-2880;
- (6) Certification Regarding Debarment and Suspension, HUD-2992; and
- (7) If applicable, the Certification of Consistency With EZ/EC Strategic Plan, HUD-2990.

These forms are found in the Appendix B to this NOFA. You are not required to submit Budget Information on Standard Form 424A.

If you wish to receive an acknowledgment of HUD's receipt of your application, please submit a completed Acknowledgment of Receipt of Application form.

VII. Corrections to Deficient Applications

After the application due date, HUD may not, consistent with its regulations in 24 CFR part 4, subpart B, consider any unsolicited information

you, the applicant, may want to provide. HUD may contact you, however, to clarify an item in your application or to correct technical deficiencies. You should note, however, that HUD may not seek clarification of items or responses that improve the substantive quality of your response to any selection factors. In order not to unreasonably exclude applications from being rated and ranked, HUD may, however, contact applicants to ensure proper completion of the application and will do so on a uniform basis for all applicants. Examples of curable (correctable) technical deficiencies include your failure to submit the proper certifications or your failure to submit an application that contains an original signature by an authorized official. In each case, HUD will notify you in writing by describing the clarification or technical deficiency. HUD will notify applicants by facsimile or by mail or other delivery service with return receipt requested. You must submit clarifications or corrections of technical deficiencies in accordance with the information provided by HUD within 7 calendar days of the date of receipt of the HUD notification. (If the due date falls on a Saturday, Sunday, or Federal holiday, your correction must be received by HUD on the next day that is not a Saturday, Sunday, or Federal holiday.) If your deficiency is not corrected within this time period, HUD will reject your application as incomplete, and it will not be considered for funding.

VIII. Environmental Requirements

(A) Environmental Review. After the completion of this competition and after HUD's award of EDI grant funds, pursuant to 24 CFR 570.604, each project or activity (as such terms are defined in 24 CFR part 58) assisted under this program is subject to the provisions of 24 CFR part 58, including limitations on the EDI grant and Section 108 public entity's commitment of HUD and non-HUD

funds prior to the completion of environmental review, notification and release of funds. No such assistance will be released by HUD until a request for release of funds is submitted and the requirements of 24 CFR part 58 have been met. All public entities, including nonentitlement public entities, shall submit the request for release of funds and related certification, required pursuant to 24 CFR part 58, to the appropriate HUD field office for each project or activity (as such terms are defined in 24 CFR part 58) to be assisted.

(B) Environmental Justice. Executive Order 12898 (Federal Actions to Address Environmental Justice in Minority Populations and Low-Income Populations) directs Federal agencies to develop strategies to address environmental justice. Environmental justice seeks to rectify the disproportionately high burden of environmental pollution that is often borne by low-income, minority, and other disadvantaged communities, and to ensure community involvement in policies and programs addressing this issue.

IX. FINDINGS AND CERTIFICATIONS

(A) Environmental Impact. A Finding of No Significant Impact with respect to the environment has been made in accordance with HUD regulations at 24 CFR part 50 that implement section 102(2)(C) of the National Environmental Policy Act of 1969 (42 U.S.C. 4332). The Finding of No Significant Impact is available for public inspection during regular business hours in the Office of the General Counsel, Regulations Division, Room 10276, U.S. Department of Housing and Urban Development, 451 Seventh Street, SW, Washington, DC 20410-0500.

(B) Executive Order 13132, Federalism. Executive Order 13132 (entitled "Federalism") prohibits, to the extent practicable and permitted by law, an

agency from promulgating policies that have federalism implications and either impose substantial direct compliance costs on State and local governments and are not required by statute, or preempt State law, unless the relevant requirements of section 6 of the Executive Order are met. This NOFA does not have federalism implications and does not impose substantial direct compliance costs on State and local governments or preempt State law within the meaning of the Executive Order.

(C) Prohibition Against Lobbying Activities. You, the applicant, are subject to the provisions of section 319 of the Department of Interior and Related Agencies Appropriation Act for Fiscal Year 1991, 31 U.S.C. 1352 (the Byrd Amendment), which prohibits recipients of Federal contracts, grants, or loans from using appropriated funds for lobbying the executive or legislative branches of the Federal Government in connection with a specific contract, grant, or loan. You are required to certify, using the certification found at Appendix A to 24 CFR part 87, that you will not, and have not, used appropriated funds for any prohibited lobbying activities. In addition, you must disclose, using Standard Form LLL, "Disclosure of Lobbying Activities," any funds, other than Federally appropriated funds, that will be or have been used to influence Federal employees, members of Congress, and congressional staff regarding specific grants or contracts.

(D) Section 102 of the HUD Reform Act; Documentation and Public Access Requirements. Section 102 of the Department of Housing and Urban Development Reform Act of 1989 (42 U.S.C. 3545) (HUD Reform Act) and the regulations codified in 24 CFR part 4, subpart A, contain a number of provisions that are designed to ensure greater accountability and integrity in the provision of certain types of assistance administered by HUD. On January 14, 1992 (57 FR

1942), HUD published a notice that also provides information on the implementation of section 102. The documentation, public access, and disclosure requirements of section 102 apply to assistance awarded under this NOFA as follows:

(1) Documentation and public access requirements. HUD will ensure that documentation and other information regarding each application submitted pursuant to this NOFA are sufficient to indicate the basis upon which assistance was provided or denied. This material, including any letters of support, will be made available for public inspection for a 5-year period beginning not less than 30 days after the award of the assistance. Material will be made available in accordance with the Freedom of Information Act (5 U.S.C. 552) and HUD's implementing regulations in 24 CFR part 15.

(2) Disclosures. HUD will make available to the public for 5 years all applicant disclosure reports (HUD Form 2880) submitted in connection with this NOFA. Update reports (update information also reported on Form 2880) will be made available along with the applicant disclosure reports, but in no case for a period less than 3 years. All reports--both applicant disclosures and updates--will be made available in accordance with the Freedom of Information Act (5 U.S.C. 552) and HUD's implementing regulations at 24 CFR part 5.

(3) Publication of Recipients of HUD Funding. HUD's regulations at 24 CFR 4.7 provide that HUD will publish a notice in the Federal Register on at least a quarterly basis to notify the public of all decisions made by the Department to provide:

(i) Assistance subject to section 102(a) of the HUD Reform Act; or

(ii) Assistance that is provided through grants or cooperative agreements on a discretionary (non-formula, non-demand) basis, but that is not

provided on the basis of a competition.

(E) Section 103 HUD Reform Act. HUD's regulations implementing section 103 of the Department of Housing and Urban Development Reform Act of 1989 (42 U.S.C. 3537a), codified in 24 CFR part 4, subpart B, apply to this funding competition. The regulations continue to apply until the announcement of the selection of successful applicants. HUD employees involved in the review of applications and in the making of funding decisions are limited by the regulations from providing advance information to any person (other than an authorized employee of HUD) concerning funding decisions, or from otherwise giving any applicant an unfair competitive advantage. Persons who apply for assistance in this competition should confine their inquiries to the subject areas permitted under 24 CFR part 4.

Applicants or employees who have ethics related questions should contact the HUD Ethics Law Division at (202) 708-3815. (This is not a toll-free number.) For HUD employees who have specific program questions, the employee should contact the appropriate field office counsel, or Headquarters counsel for the program to which the question pertains.

(F) Paperwork Reduction Act Statement. The information collection requirements for applying for funding under the Economic Development Initiative have been approved by OMB under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520) and assigned OMB control number 2506-0153.

(G) Catalog of Federal Domestic Assistance. The CFDA number for this program is 14.246.

X. Authority

Section 108(q), Title I, Housing and Community Development Act of 1974, as amended, (42 U.S.C. 5301-5320); 24 CFR part 570.

Dated June 26, 2000.

Cardell Cooper, Assistant Secretary for
Community Planning and Development

Appendix A
List of EZs, ECs, and Urban
Enhanced Enterprise Communities

<u>Name & City</u>	<u>Phone & Fax Numbers</u>
URBAN EMPOWERMENT ZONES (23)	
CA, Los Angeles (EZ)	
David Eder	213-485-0783 (Phone)
EZ Program Coordinator	213-847-0890 (Fax)
City of Los Angeles EZ/EC Programs	
Los Angeles Community Development Department	
215 West 6th Street, Third Floor	
Los Angeles, CA 90014	
CA, Santa Ana (EZ)	
Aldo Schindler	714-647-6507 (Phone)
EZ Manager	714-647-6580 (Fax)
Community Development Agency M21	
PO Box 1988	
Santa Ana, CA 92702	
CT, New Haven (EZ-EC)	
Sherri Killins	203-776-2777 (Phone)
President/CEO	203-776-0537 (Fax)
Empower New Haven, Inc.	
59 Elm St., 4 th Floor, Suite 410	
New Haven, CT 06510	
FL, Miami/Dade County (EZ-EC)	
Bryan K. Finnie	305-372-7620 (Phone)
President/CEO	305-372-7629 (Fax)
Miami-Dade Empowerment Trust, Inc.	
140 West Flagler Street, Suite 1107	
Miami, FL 33130	
GA, Atlanta (EZ)	
Charisse Richardson	404-853-7610 (Phone)
Interim Executive Director	404-853-7315 (Fax)
Atlanta EZ Corporation	
City Hall East	
675 Ponce de Leon Avenue	
Second Floor	
Atlanta, GA 30308	

IL, Chicago (EZ)

Wallace Goode
 Executive Director
 City of Chicago
 20 North Clark Street, 28th Floor
 Chicago, IL 60602

312-744-9623 (Phone)

312-744-9696 (Fax)

IN, Gary, E. Chicago, Hammond (EZ)***IN, Gary***

Taghi Arshami
 Office of Planning & Community Development
 475 Broadway, Suite 318
 Gary, IN 46402

219-881-5075 (Phone)

219-881-5085 (Fax)

IN, E. Chicago

John Artis
 Executive Director
 City of East Chicago
 Dept. of Redevelopment and Housing Authority
 4920 Larkspur Drive
 East Chicago, IN 46312

219-397-9974 (Phone)

219-397-4249 (Fax)

IN, Hammond**MA, Boston (EZ-EEC)**

Reginald Nunnally
 Executive Director of Enhanced EC/Interim Director of EZ
 Boston Empowerment Center
 20 Hampdon St.
 Roxbury, MA 02119

617-445-3413 (Phone)

617-445-5675 (Fax)

MD, Baltimore (EZ)

Diane Bell
 President & CEO
 Empower Baltimore Management Corporation
 34 Market Pl., Suite 800
 Baltimore, MD 21202

410-783-4400 (Phone)

410-783-0526 (Fax)

MI, Detroit (EZ)

Denise Gray
 Executive Director
 Empowerment Zone Development Corporation
 1 Ford Place, Suite 1F
 Detroit, MI 48202

313 -872-8050 ext. 17 (Phone)

313 -872-8002 (Fax)

MN, Minneapolis (EZ-EC)

Kim W. Havey
 Director
 Minneapolis Empowerment Zone
 350 South Fifth Street, Room 200
 Minneapolis, MN 55415

612-673-5415 (Phone)
 612-673-3724 (Fax)

MO, St. Louis/E. St. Louis, IL (EZ-EC)

A. Danine Lard
 Executive Director
 The Greater St. Louis Regional Empowerment Zone
 Management Corporation, Inc.
 Suite 1030
 1015 Locust St.
 St. Louis, MO 63101

314-622-3400 ext. 709 (Phone)
 314-436-7983 (Fax)

NJ, Camden (EZ) See also Philadelphia, PA

Liz Janota
 Acting Managing Director
 Camden Empowerment Zone Corporation
 Hudson Square Complex
 817 Carpenter St.
 Camden, NJ 08102

856-365-0300 (Phone)
 856-365-1058 (Fax)

NJ, Cumberland County (EZ)

Jerry Velazquez
 Executive Director
 Cumberland Empowerment Zone Corporation
 50 E. Broad Street
 Bridgeton, NJ 08302

856-459-1700 (Phone)
 856-459-4099 (Fax)

NY, New York (EZ) (Main Contact)

Marion Phillips, III
 Chief Administrative Officer
 New York Empowerment Zone Corporation
 633 3rd Avenue
 New York, NY 10017

212-803-3239 (Phone)
 212-803-3294 (Fax)

James Ilako, Director, Empowerment Zone
 Empire State Development Corporation
 633 Third Avenue, 32nd Floor,
 New York, New York 10017

212-803-3237 (Phone)
 212-803-3294 (Fax)

June Van Brackle
 Director, Mayor's Office of the New York City EZ
 100 Gold Street, 2nd Floor

212- 788-6777 (Phone)
 212-788-2718 (Fax)

New York, New York 10038.

NY, New York (Bronx)

Maria Canales
 Director, Bronx Empowerment Zone
 Bronx Overall Economic Development Corporation
 198 East 161st Street
 Suite 201
 Bronx, NY 10451

718-590-6201 (Phone)

718-590-3499 (Fax)

NY, New York (Upper Manhattan)

Fernando Fernandez
 Director of Community Affairs
 Upper Manhattan Empowerment Zone
 Development Corporation
 290 Lenox Avenue, 3rd Floor
 New York, NY 10027

212-410-0030 ext. 244 (Phone)

212-410-9616 (Fax)

OH, Cincinnati (EZ)

Susan Paddock
 Special Assistant to the City Manager
 City of Cincinnati
 801 Plum Street, Room 104
 Cincinnati, OH 45202

513-352-4648 (Phone)

513-352-2458 (Fax)

OH, Cleveland (EZ)

Valarie McCall
 Director
 Cleveland Empowerment Zone
 601 Lakeside Avenue
 City Hall, Room 335
 Cleveland, OH 44114

216-664-2804 (Phone)

216-420-8522 (Fax)

216-664-3083 (Direct)

OH, Columbus (EZ-EC)

Jon Beard
 Columbus Compact Corporation
 1000 East Main St.
 Columbus, OH 43205

614-251-0926 (Phone)

614-251-2243 (Fax)

PA, Philadelphia /NJ, Camden (EZ) See also NJ, Camden

Eva Gladstein
 Executive Director
 City of Philadelphia
 1515 Arch Street, 1 Parkway, 9th Fl.
 Philadelphia, PA 19103

215-683-0462 (Phone)

215-683-0493 (Fax)

SC, Sumter/Columbia (EZ)

Milton Smalls
 Executive Director
 Sumter/Columbia EZ
 Dept. of Community Service
 1225 Laurel Street
 Columbia, SC 29201

803-733-8314 (Phone)

803-733-8312 (Fax)

Talmadge Tobias

City Manager

City of Sumter

P.O. Box 1449

Sumter, SC 29151

803-436-2577 (Phone)

803-436-2615 (Fax)

TN, Knoxville (EZ)

Jeanette Kelleher
 Community Development Administrator
 City of Knoxville
 Department of Development
 P.O. Box 1631
 Knoxville, TN 37901

865-215-2116 (Phone)

865-215-2962 (Fax)

Sherry Kelley Marshall

Executive Director

Partnership for Neighborhood Improvement

P.O. Box 2464

Knoxville, TN 37901

865-215-4146 (Phone)

865-215-2962 (Fax)

TX, El Paso (EZ-EC)

Carlos Yerena
 Executive Director
 El Paso Empowerment Zone
 Greater El Paso Chamber of Commerce
 10 Civic Center Plaza
 El Paso, TX 79901

915-534-0571 (Phone)

915-534-0513 (Fax)

VA, Norfolk/Portsmouth (EZ-EC)

Landis Faulcon
 Empowerment 2010
 201 Granby Street, Suite. 100A
 Norfolk, VA 23510

757-624-8650 (Phone)

757-622-4623 (Fax)

WV, Huntington/Ironton, OH (EZ-EC)

Cathy Burns
 Executive Director
 Huntington WV-Ironton OH Empowerment Zone, Inc.

304-696-5533 (Phone)

304-696-4465 (Fax)

P.O. Box 1659
Huntington, WV 25717

URBAN ENHANCED ENTERPRISE COMMUNITIES (4)

CA, Oakland (EEC)

Mahlon Harmon
EEC Coordinator
One Stop Capital Shop
519 17th St., Sixth Floor
Oakland, CA 94612

510-238-2353 (Phone)

510-238-7999 (Fax)

KS, Kansas City and MO, Kansas City (EEC)

Marlene Nagel
MARC
600 Broadway
300 Rivergate Center
Kansas City, MO 64105

816-474-4240 (Phone)

816-421-7758 (Fax)

MA, BOSTON (EEC) (SEE EZ)

TX, Houston (EEC)

Judith Butler
Mayor's Office
901 Bagby Street
City Hall, 4th Floor
Houston, TX 77002

713-247-2666 (Phone)

713-247-3985 (Fax)

URBAN ENTERPRISE COMMUNITIES

AL, Birmingham

Keith Strother
City of Birmingham
710 N. 20th Street
City Hall, 3rd Floor
Birmingham, AL 35203

205-254-2870 (Phone)
205-254-7741 (Fax)

AR, Pulaski County

Henry McHenry
Pulaski County Enterprise Community Alliance, Inc.
400 W. Markham, Suite 705
Little Rock, AR 72201-2424

501-340-5675 (Phone)
501-340-5680 (Fax)

AZ, Phoenix

Jennifer Harper
Neighborhood Services Department
City of Phoenix
200 West Washington Street, 4th Floor
Phoenix, AZ 85003-1611

602-262-4730 (Phone)
602-534-1555 (Fax)

CA, Los Angeles - Huntington Park

Robert Perez
Manager
Operations Section, Industrial & Commercial
Development Division
Los Angeles Community Development Department
215 W. 6th St., Third Floor
Los Angeles, CA 90014

213-485-8161 (Phone)
213-847-0890 (Fax)

CA, San Diego

Bonnie Contreras
Enterprise Community Coordinator
City of San Diego
202 C Street, Third Floor, Mail Station 3A
San Diego, CA 92101

619-236-6846 (Phone)
619-236-6512 (Fax)

CA, San Francisco

Anna Yee
City of San Francisco
San Francisco Enterprise Community Program
25 Van Ness Avenue, Suite 700
San Francisco, CA 94102

415-252-3130 (Phone)
415-252-3110 (Fax)

CO, Denver

Ernest Hughes
 Denver Enterprise Community Coordinator
 Denver Community Development Agency
 216 16th Street, Suite 1400
 Denver, CO 80202
 720-913-1547 (Phone)
 720-913-1800 (Fax)

CT, Bridgeport

Janice Willis
 Director
 City of Bridgeport Central Grants Office
 999 Broad St.
 Bridgeport, CT 06604
 203-332-5662 (Phone)
 203-332-5657 (Fax)

CT, New Haven

Diana E. Edmonds
 New Haven Enterprise Community Interim Coordinator
 200 Orange Street
 203-946-7727 (Phone)
 203-946-8049 (Fax)

DE, Wilmington

Edwina Bell-Mitchell
 Wilmington Enterprise Community
 Louis L. Redding City/County Building
 800 French Street, 9th Floor
 Wilmington, DE 19801
 302-571-4472 (Phone)
 302-571-4326 (Fax)

District of Columbia

Kimmarie Jamison
 DCECP Coordinator
 801 N. Capitol St., 6th Floor
 Washington, DC 20002
 202-442-7203 (Phone)
 202-442-7089 (Fax)

FL, Tampa

Jeanette LaRussa Fenton
 Manager, Urban Development
 Ybor Service Center
 2105 N. Nebraska Avenue
 Tampa, FL 33602-2529
 email: hs5j@ci.tampa.fl.us
 813-274-7959 (Phone)
 813-274-7927 (Fax)

GA, Albany

Julie Duke
 City Manager's Office
 P.O. Box 447
 Albany, GA 31702
 912-431-3234 (Phone)
 912-431-3223 (Fax)

IA, Des Moines

Carol Gathright
City of Des Moines
602 East First Street
Des Moines, IA 50309

515-283-4151 (Phone)
515-237-1713 (Fax)

IL, East St. Louis

Diane Bonner
Executive Director
CDBG Operations Corporation
301 River Park Drive
East St. Louis, IL 62201

618-482-6635 ext. 15 (Phone)
618-271-8194 (Fax)

IL, Springfield

Cletia Bowen
Director
Office of Economic Development
231 South Sixth St.
Springfield, IL 62701

217-789-2377 (Phone)
217-789-2380 (Fax)

IN, Indianapolis

Renia Colbert
Project Liaison
Div. of Comm. Development & Financial Services
200 East Washington, Suite 1841
Indianapolis, IN 46204

317-327-5869 (Phone)
317-327-5908 (Fax)

KY, Louisville

Carolyn Gatz
Louisville Empowerment Zone
NIA Center
2900 West Broadway
Louisville, KY 40211

502-458-6813 (Phone)
502-456-9780 (Fax)

LA, New Orleans

Thelma H. French
Executive Assistant to Mayor
Office of Federal and State Programs
1300 Perdido Street, Room 2E04
New Orleans, LA 70112

504-565-6445 (Phone)
504-565-6423 (Fax)

LA, Ouachita Parish

Eric Loewe
Executive Director
Ouachita Enterprise Community
P.O. Box 4268
Monroe, LA 71211

318-329-4031 (Phone)
318-329-4034 (Fax)

MA, Lowell

Shirley Alejandro
 Enterprise Community Organizer
 Department of Planning and Development
 City Hall- JFK Civic Center
 50 Arcand Drive
 Lowell, MA 01852

978-446-7160 (Phone)
 978-970-4262 (Fax)

MA, Springfield

Miguel Rivas
 Director of Neighborhood Programs
 Community Development Department
 36 Court Street
 Springfield, MA 01103

413-750-2240 (Phone)
 413-787-6027 (Fax)

MI, Flint

Nancy Jurkiewicz
 Corporate Resident Agent
 Flint Area Enterprise Community
 805 Welch Blvd.
 Flint, Michigan 48504

810-766-7436 ext. 3014 (Phone)
 810-766-7351 (Fax)

MI, Muskegon/Muskegon Heights (EC)

Cathy Brubaker-Clarke
 Director
 Department of Community and Economic Development
 P.O. Box 536, 933 Terrace St.
 Muskegon, MI 49443-0536

231-724-6702 (Phone)
 231-724-6790 (Fax)

MN, St. Paul

Jeremy Lenz
 Project Manager
 City of Saint Paul
 Department of Planning and Economic Development
 1200 City Hall Annex
 25 West Fourth Street
 Saint Paul, MN 55102

651-266-6603 (Phone)
 651-228-3341 (Fax)

MS, Jackson

Roosevelt T. Sanders
 Executive Director
 Jackson Urban Enterprise Community Council, Inc.
 P.O. Box 10353
 Jackson, MS 39289

601-949-7879 (Phone)
 601-981-2407 (Fax)

NC, Charlotte

Deborah Hazzard
Neighborhood Development Department
600 East Trade Street
Charlotte, NC 28202

704-336-2106 (Phone)
704-336-2527 (Fax)

NE, Omaha

Herb Patten
Enterprise Zone Coordinator
Omaha Enterprise Community/Enterprise Zone
Blue LionCentre
2421 North 24th St.
Omaha, NE 68110-2282

402-444-3514 (Phone)
402-444-3755 (Fax)

NH, Manchester

William J. Jabjiniak
Planning Department
Enterprise Community Program
One City Hall Plaza
Manchester, NH 03101

603-624-6450 ext. 5713 (Phone)
603-624-6529 (Fax)

NJ, Newark

Angela Corbo
EC Coordinator
Department of Administration
City Hall, Room B-16
920 Broad Street
Newark, NJ 07102

973-733-4331 (Phone)
973-733-3769 (Fax)

NM, Albuquerque

Sylvia Fettes
Department of Family & Community Services
P.O. Box 1293
Albuquerque, NM 87103

505-768-2932 (Phone)
505-768-3204 (Fax)

NV, Las Vegas

Jennifer Padre
EC Coordinator
Community Resources Management
500 South Grand Central Parkway
P.O. Box 551212
Las Vegas, NV 89155-1212

702-455-5025 (Phone)
702-455-5038 (Fax)

NY, Albany/Troy/Schenectady

Anthony Tozzi
Enterprise Community Director

518-382-5054 (Phone)
518-382-5275 (Fax)

City of Schenectady
 Department of Development
 Jay Street
 Schenectady, NY 12305

NY, Buffalo

Paula Alcala Rosner
 Executive Director
 Federal Enterprise Community of Buffalo, Inc.
 911 City Hall
 Buffalo, NY 14202

716-851-5032 (Phone)
 716-851-4388 (Fax)

NY, Newburgh/Kingston

Sharon Hyder
 The Kingston-Newburgh Enterprise Corp.
 62 Grand Street
 Newburgh, NY 12550

914-569-1680 ext. 102 (Phone)
 914-569-1630 (Fax)

NY, Rochester

Philip J. Banks
 Manager of Business Development
 Department of Economic Development, City of Rochester
 Room 005A
 30 Church Street
 Rochester, NY 14614

716-428-6965 (Phone)
 716-428-6042 (Fax)

OH, Akron

Jerry Egan
 Department of Planning & Urban Development
 166 South High Street
 Akron, OH 44308-1628

330-375-2090 (Phone)
 330-375-2387 (Fax)

OK, Oklahoma City

Carl Friend
 Oklahoma City Planning Department
 420 West Main Street, Suite 920
 Oklahoma City, OK 73102

405-297-2574 (Phone)
 405-297-3796 (Fax)

OR, Portland

Regena S. Warren
 Multnomah County
 421 SW Sixth Avenue, Suite 200
 Portland, OR 97204

503-248-3691 (Phone)
 ext. 28134
 503-248-3379 (Fax)

PA, Harrisburg

Terri Martini

717-255-6408 (Phone)

Director 717-255-6421 (Fax)
 Department of Building and Housing Development
 City of Harrisburg, Suite 206
 10 North Second Street
 Harrisburg, PA 17101

PA, Pittsburgh

Joan Blaustein 412-255-2206 (Phone)
 Manager, Special Projects 412-255-2838 (Fax)
 City Planning Dept.
 City of Pittsburgh
 200 Ross Street, 4th Floor
 Pittsburgh, PA 15219

RI, Providence

Kim Rose 401-455-8880 (Phone)
 Enterprise Community Project Director 401-331-6840 (Fax)
 The Providence Plan
 56 Pine Street, Suite 3B
 Providence, RI 02903

SC, Charleston/N. Charleston

Geona Shaw Johnson 843-973-7285 (Phone)
 Coordinator 843-720-3836 (Fax)
 Enterprise Community Program
 Department of Housing and Community Development, City of Charleston
 75 Calhoun Street, 3rd Floor
 Charleston, SC 29401

TN, Memphis

Joseph C. Gibbs, Economic Development Coordinator 901-526-9300 ext.105 (Phone)
 City of Memphis, Business Development Center (BDC) 901-525-2357 (Fax)
 555 Beale Street
 Memphis, TN 38103-3297

TN, Nashville

Paul Johnson 615-252-8543 (Phone)
 Metropolitan Development and Housing Agency 615-252-8559 (Fax)
 701 South Sixth Street
 Nashville, TN 37206

TX, Dallas

Mark Obeso 214-670-3601 (Phone)
 Assistant Director, Housing Department 214-670-0156 (Fax)
 City of Dallas
 1500 Marilla, 6D North

Dallas, TX 75201

TX, San Antonio

Curley Spears
San Antonio EZ/EC Coordinator
419 South Main St., Suite 200
San Antonio, TX 78204

210-207-6605 (Phone)

210-886-0006 (Fax)

TX, Waco

George Johnson, Jr.
Assistant City Manager
City of Waco
300 Austin Avenue
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254-750-5640 (Phone)

254-750-5696 (Direct)

254-750-5880 (Fax)

UT, Ogden

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Ogden City Neighborhood Development
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Ogden, UT 84401

801-629-8943 (Phone)

801-629-8902 (Fax)

VT, Burlington

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802-865-7024 (Fax)

WA, Seattle

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City of Seattle Office of Economic Development
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206-684-0379 (Fax)

WA, Tacoma

Cynthia Spry
Tacoma Pierce Co Chamber of Commerce
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253-627-2175 (Phone)

253-597-7305 (Fax)

WI, Milwaukee

Glen Mattison
Enterprise Community Program Officer
City of Milwaukee

414-286-3760 (Phone)

414-286-5003 (Fax)

Community Block Grant Administration
200 East Wells Street
City Hall, Room 606
Milwaukee, WI 53202

Appendix B

The forms, which follow, are required for EDI Grant - CEF Pilot application.