



## **CITY OF COVINA ECONOMIC DEVELOPMENT LOAN/GRANT PROGRAM**

The City of Covina provides federal Community Development Block Grant (CDBG) funds for eligible economic development projects. The Economic Development Loan/Grant program (Program) provides funds to eligible businesses with the ultimate objective of creating jobs for persons at 80% or less of area median income (AMI) as determined by the U.S. Department of Housing and Urban Development (HUD) for the Los Angeles Metropolitan area. The Program can assist businesses to either create or retain jobs. If qualified under retention, the business must provide specific evidence that the jobs would be lost without the CDBG assistance. The City can fund \$25,000 per full time equivalent job created or retained.

Each job created or retained must be a full-time equivalent permanent job. The employer must obtain documentation from the job applicant at the time of hiring that the applicant's income is at or below 80% of AMI for their household size. At least fifty-one percent (51%) of the jobs created or retained must be made available to persons at this income level at the time they are hired.

A business must be able to demonstrate that the CDBG assistance is necessary for new job creation or retention. A qualifying business can use the funds for the purchase of land or property acquisition, equipment, fixtures, and/or working capital, among other uses. Use of Program funds for the payment of work related to construction, rehabilitation or installation will require the payment of either state or federal prevailing wages, whichever is higher. Please contact our office for further details.

If your business is interested in the City of Covina's Economic Development Loan/Grant Program, please complete the attached application. There is no cost to apply. Submit the completed forms to:

City of Covina Finance Department  
125 E. College Street, Covina, CA 91723  
(626) 384-5442

Attn: Nuala Gasser, Senior Housing and CDBG Economic Development Manager

# **ECONOMIC DEVELOPMENT PROGRAM INFORMATION AND EVALUATION STANDARDS**

## **Objectives**

The Economic Development Loan/Grant Program (Program) encourages:

- Private sector job creation/retention
- Capital formation
- Private sector projects that have a financial feasibility based on recognized underwriting criteria
- Gap financing
- Development of sales tax and property tax base
- Support of existing businesses
- Development of new business

## **Loan Criteria**

- Jobs/Cost ratio: Maximum \$25,000 per qualified full time equivalent job created.
- Types of jobs created/retained: At least 51% of the jobs created will be held by, or made available to persons whose household income is at 80% of Area Median Income or less, adjusted for household size. See Attachment A for current year income information.
- Must meet general credit criteria as described in the Economic Development Loan/Grant Policy (Policy).

Program funds are available to businesses located within the City of Covina, as specified in Section VIII of the Policy, and also listed in Attachment B.

## **Eligible Activities**

- Working capital for inventory and receivables.
- Machinery, equipment, furniture, fixtures and leasehold improvements.
- Acquisition and assembly of owner-occupied land and facilities.
- Construction and installation (please call first).

The project must create or retain jobs which are available to low/mod persons. See the Policy for further information.

## **Ineligible Project and Activities**

- Projects outside the limits of the City of Covina.
- Speculative activities since near-term job creation or retention are not evident.
- Job pirating. This is the use of federal funds to attract businesses and its jobs away from one labor market to another.
- Projects where underwriting analysis indicates poor credit risk.
- Use of funds to pay debt

- Uses determined as ineligible by the federal government, and as described in the Policy.

If private sector financing is available and the company can still maintain a reasonable rate of return within its industry standards, the project is ineligible. However, if the company would not consider the project without the Covina Economic Development Program funding and public benefit can be demonstrated, the project may be eligible.

### **Public Benefit Determination**

In determining the public benefit, the following factors will be considered:

- The number and type of jobs created and/or retained
- Other development which is likely to be stimulated in the area by the project activity.
- Increases in the tax base including property, sales and income taxes in the area.
- Increases in needed services which result either from the project itself or from its surrounding activity.

### **Maximum Loan Amounts**

The amount of the loan is determined by the following:

- Number of jobs created
- Total project costs (Preferably at least 2/3 of the costs will be business contribution and bank participation, 1/3 Economic Development filling the remaining gap up to program cap and available funds).
- Project Financing gap
- Eligible costs

### **Financial Guidelines**

There are six objectives for economic development underwriting:

- That project costs are reasonable
- That all sources of project financing are committed
- To the extent practicable, CDBG funds are not substituted for non-Federal financial support
- That the project is financially feasible
- To the extent practicable, the return of the owner's equity investment will not be unreasonably high, and
- To the extent practicable, CDBG funds are disbursed on a pro-rata basis with other finances provided to the project

### **Labor Standards**

If the project includes construction, rehabilitation and/or machinery installation Federal Labor Standards may apply. This includes the Davis/Bacon Act which requires that workers doing rehabilitation and/or installation receive no less than the prevailing wage as determined by the Act's guidelines. Also, additional regulations may apply.

### **Agreements**

You will be required to sign binding agreements pertaining to funding use and job creation/retention prior to funding.

### **Time Period**

Application processing takes approximately two months from the time you submit all required documentation.

### **Procurement**

Guidelines require that you follow specific procedures for purchasing equipment machinery, inventory or supplies, or doing construction work.

### **Monitoring**

Monitoring of job creation/retention activities will be made within the compliance year. All records must be kept for five years past the end of the compliance period.

### **Insurance**

Prior to the issuance of funds, proof of insurance as required under the agreement must be provided.

### **Fund Availability**

Applications will be considered when funds are available in each fiscal year.

### **Covina Business License**

A Covina business license is required, or must have a pending application.

### **After funds are awarded and all requirements are met**

A staff report is prepared for City Council approval for grant/loan forgiveness. Liens or other collateral remains on the property until after the County of Los Angeles completes its audit of the CDBG program for the fiscal year, which may be one to two years after program compliance ends.

## **Application Review Scoring**

Criteria	Strength 1 Low, 5 High	Weight (% of Total)	Weighted Score
Financial Soundness		20	
Owner/operator experience		15	
Business Plan		15	
Potential economic impact			
A. Business on community		10	
B. CDBG funding on business		10	
Owner/3 <sup>rd</sup> party funding		15	
Future Prospects for growth		10	
Quality of life impact		5	
Total		100%	

### ***Tabulating Scores***

Each criterion is scored on a scale of 1 (low) to 5 (high). The scores of each Financial Committee member is added together and multiplied by the weighted percentage of each criterion. The resulting number is the Total Weighted Score for the Applicant. The higher the Total Weighted Score the more likely the applicant will receive CDBG Economic Development funds.

### ***Criteria Definitions***

The following definitions will be used to evaluate applications for the CDBG Economic Development program:

#### Financial Soundness (20 points)

The business plan must include a financial plan based on sound financial principals. For existing businesses, the financial plan must include three year history of the following:

- Cash flow
- Actual profit/loss statements
- Year End balance sheet

For start-up and New Businesses (less than one year in operation), the plan must include projected:

- Startup costs
- Operating expenses
- Three year cash flow
- Three year income/expense statement

- Capital budget
- Three year balance sheet

Owner/Operator Experience (15 points)

The management team’s business experience that directly or indirectly relates to their business.

Business Plan (15 points)

The business plan should precisely define its business, identifies its goals, and serves as the firm’s resume. The business plan should include:

- Venture/Project Description
- Market Plan
- Management and Organization Plan
- Financial Plan

Potential Economic Impact

A. Business on Community (10 points)

The economic impact of this business on the community in which it is located.

B. CDBG funding on business (10 points)

The economic impact of CDBG funding on the business.

Owners/3<sup>rd</sup> party funding (15 points)

The “*Project Financing and Use of Loan Proceeds*” form must indicate all anticipated or secured funding sources. These may include:

- Owner investment
- Credit Card Financing
- Traditional Commercial Loan
- Other
- Other Private Investment

Future Prospects for Growth (10 points)

The future prospects for short and long term growth of the business.

Quality of Life Impact (5 points)

The business’ impact on the quality of life of the community in which the business is located.

Please add any additional information which in the judgment of the applicant would be appropriate to full support the application. Applications will be reviewed by the Loan Committee. If the applicant is determined to be qualified, the application will be forwarded to the City Council for approval.

## Business Plan Outline

<p><b>1. Description of Business</b></p> <ul style="list-style-type: none"><li>• Name and location</li><li>• Legal structure</li><li>• Principal owners</li><li>• Nature of the business</li><li>• History of the business</li><li>• Franchise: include Franchise Agreement with FTC Disclosure</li></ul> <p><b>2. Product or Service</b></p> <ul style="list-style-type: none"><li>• Describe product line(s) or types(s) of service</li><li>• Describe materials and supply sources</li><li>• Methods of production</li><li>• Quality and cost of production or service</li></ul> <p><b>3. Market Information</b></p> <ul style="list-style-type: none"><li>• Market area and trends</li><li>• Customers and potential new customers</li><li>• Competition, names, locations and size</li><li>• Advantage of your product/service over others</li></ul> <p><b>4. Advertising</b></p> <ul style="list-style-type: none"><li>• Methods of advertising and promotion</li><li>• Sales methods</li><li>• Pricing policy</li><li>• Customer service</li></ul> <p><b>5. Facilities</b></p> <ul style="list-style-type: none"><li>• Location</li><li>• Size and zoning</li><li>• Age and condition</li><li>• Expansion opportunities</li></ul>	<p><b>6. Management and Personnel</b></p> <ul style="list-style-type: none"><li>• Management expertise</li><li>• Key personnel (position, qualifications)</li><li>• Professional services</li><li>• Present and future manpower requirements</li><li>• Personnel breakdown-skill levels, hours, wage rates, unionization, etc.</li></ul> <p><b>7. Benefits to the Community</b></p> <ul style="list-style-type: none"><li>• Job created/retained</li><li>• Building rehabilitation</li><li>• Meeting community needs</li><li>• Increase community tax base</li></ul> <p><b>8. Financing Plan</b></p> <ul style="list-style-type: none"><li>• For Existing businesses: must include a three year history of cash flow, actual profit-loss statement, and year-end balance sheet.</li><li>• For start-up businesses, must include projected three year cash flow, income/expense statement, and year-end balance sheet, as well as start-up costs, operating expenses and capital budget.</li></ul> <p><b>9. Summary of Future Plans</b></p> <ul style="list-style-type: none"><li>• Short range and long range</li><li>• Expansion</li><li>• Relocation</li></ul> <p>Note: the business plan is an important component to your loan package. It will show how well your proposal has been thought out. One paragraph for each number item is sufficient.</p>
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LOS ANGELES COUNTY

# CDBG BULLETIN



COMMUNITY DEVELOPMENT COMMISSION • 700 W. Main Street • Alhambra California 91801

NUMBER: **14-0001**  
**F514-0001**

SUBJECT: **2014 INCOME GUIDELINES**

DATE: **January 6, 2014**

EFFECTIVE DATE: **IMMEDIATELY**

PAGE **1** OF **2**

**TO: COMMUNITY-BASED ORGANIZATIONS**  
**PARTICIPATING CITIES**  
**COUNTY DEPARTMENTS**  
**CDC DIVISIONS**  
**OTHER PUBLIC AGENCIES**

The 2014 income guidelines (effective December 18, 2013) for use in the Community Development Block Grant (CDBG) and First Five LA (F5) Programs are listed below. These guidelines should be used to determine compliance with each program's objective of providing benefit to eligible persons. They are also used in determining eligibility for the Public Housing and Section 8 Programs, and are effective until a new schedule is issued.

### INCOME LIMITS

Family Size	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
Moderate-Income	\$45,650	\$52,200	\$58,700	\$65,200	\$70,450	\$75,650	\$80,850	\$86,100
Low-Income	\$28,550	\$32,600	\$36,700	\$40,750	\$44,050	\$47,300	\$50,550	\$53,800
Extremely Low-Income	\$17,150	\$19,600	\$22,050	\$24,450	\$26,450	\$28,400	\$30,350	\$32,300

Please note that the 2014 median family income for Los Angeles County is \$60,600.

These guidelines refer to the terms in determining income levels for the above-mentioned programs. In order to clarify any misunderstanding resulting from the differences in terms between the Public Housing/Section 8 Programs, CDBG, and F5 Programs, the following is provided for your information:

COMPARISON OF TERMS IN DETERMINING INCOME LEVELS			
F5	CDBG	SECTION 8	PERCENT OF MEDIAN
Extremely Low- Income	Extremely Low- Income	Extremely Low- Income	Equal to or less than 30%
Not Eligible	Low-Income	Very Low-Income	31% to 50%
Not Eligible	Moderate-Income	Low-Income	51% to 80%

**We Build Better Lives**  
**& Better Neighborhoods**

## ATTACHMENT B

Excerpt from “City of Covina Economic Development Loan/Grant Policy”

### VIII TYPE OF PROJECT

Funding priority will be recommended for projects that meet the overall design scope and criteria for the location, create jobs for low- to moderate-income persons, expand economic opportunities and generate sales tax. The following project types will be considered for economic development project funding:

- A.** New Retail/Commercial
  - 1) Appliance
  - 2) Vehicle
  - 3) Furniture
  - 4) Clothing and shoes
  - 5) Electronic/computer
  - 6) Kitchen equipment
  - 7) Gift stores
  - 8) Health and Sporting Goods stores
  - 9) Book and Entertainment stores
  - 10) Musical Instruments and sound equipment stores
  - 11) Upscale grocery and import stores
  - 12) Boutique Day Spa
- B.** Quality food establishments
  - 1) Dinner houses/restaurants
  - 2) Upscale fast food
- C.** Art gallery and supplies
- D.** Entertainment-related activities
  - 1) Movie theaters
  - 2) Concert venues
  - 3) Theatre
- E.** High-tech industrial uses
  - 1) Aerospace-related
  - 2) Computer
  - 3) Bio-Tech
- F.** Medical and Dental uses
  - 1) Professional offices
    - a. Physicians
    - b. Dentists
  - 2) Full Service Medical Hospitals
  - 3) Medical clinics
  - 4) Veterinarian hospitals
  - 5) State licensed physical therapist rehabilitation centers
- G.** Manufacturing

Manufacturing is defined as follows: To be engaged in the production of something different and distinct from the original article. Substantial transformation is required, resulting in a change to its superficial appearance and altering its substantial character. Manufactured goods are goods made by machinery in large quantities, from primary goods such as steel and textiles, and baked goods.