ROCK ISLAND
ILLINOIS

City Council Meeting Agenda
June 17, 2024 - 5:30 PM
City Council Chambers, City Hall, Lower Level Conference Room
1528 Third Avenue, Rock Island, IL

1. Call to Order

2. Roll Call

Ametra Carrol-Castaneda Christine Adamson Frank Roe Jr. Hershel Jackson Jen Osing Jeremy Crafton K.J. Whitley Richinda Sakho Tom Tarnow

3. Public Comment

4. Minutes

a. Approval of the Meeting Minutes from May 21, 2024.

Motion:	Move to approve the Meting Minutes from 5-21-2024
RC	Roll Call vote is needed.

5. Old Business

6. Other Business/New Business

a. CIRLF Policies and Procedures Update

Motion:	Move to approve the CILF updated policies and procedures to the Rock Island Council.
RC	Roll Call vote is needed.

7. Adjourn

This agenda may be obtained in accessible formats by qualified persons with a disability by making appropriate arrangements from 8:00 am to 5:00 pm, Monday through Friday, by contacting the City Clerk's Office at (309) 732-2010 or visiting in person at: 1528 Third Avenue, Rock Island, IL 61201.

Rock Island Community Development Minutes
City Hall, Lower Level Conference Room
1528 3rd Avenue, Rock Island, IL
May 21, 2024
5:30 PM

Voting Members Present	Ametra Carrol-Castaneda Christine Adamson Frank Roe Jr. Hershel Jackson Jen Osing Jeremy Crafton K.J. Whitley Richinda Sakho Tom Tarnow
Voting Members Absent	
Staff Present	Nichole Mata Tarah Sipes

Call to Order and Roll Call
Whitley called the meeting to order at 5:35 PM and took the roll.

Public Comment
No public comment

Minutes
Approval of the Meeting Minutes from April 30, 2024. Roe Jr made the motion and Adamson 2nd the motion. The motion carried unanimously on a vote 9-0.

Public Hearing
No changes or questions for recommendation from Council Meeting in regards to the 2024 Annual Action Plan.

Old Business
There was no old business.

Other Business/New Business

Sipes came and spoke to the CDC voting members in regards to Economic Development. Sipes answered all questions.

Sipes went over the CIRLF policies and procedures and the changes that were proposed. Crafton made the motion and Jackson 2nd the motion. The motion carried unanimously on a vote of 9-0.

Adjournment
Whitley asked for a motion to adjourn meeting at 6:30 PM. Carrol-Castaneda made a motion and Tarnow 2nd the motion. The motion carried unanimously on a vote of 9-0.

Memorandum

To: Rock Island City Council

From: Nichole Mata

Subject: CIRLF Policies and Procedures Update

Motion: Move to approve the CILF updated policies and procedures to the Rock Island Council.

RC Roll Call vote is needed.

Date: June 17, 2024

Introduction and Background Information:

CED Staff presented at the last CDC meeting some changes to the CIRLF Program's Policies and Procedures that were approved by the CDC. Subsequently, staff attended an underwriting course that addressed CDBG economic development programs. Staff also met with other neighboring communities to discuss their community's CDBG seeded revolving loan program. Staff learned of some new ideas to bring to the CDC for approval. CED Staff has been making updates to the Commercial Industrial Revolving Loan Fund (CIRLF) Policies and Procedures based on best practices and on input from the CIRLF Committee. The attached document is the most recent version of the updated CDBG Economic Development Policies and Procedures. A few amendments to the changes presented at the last meeting and additional changes proposed to the CIRLF program include the following:

- Eliminate the maximum loan amount altogether and simply use a maximum match, 25% of project cost, for example.
- Make the loans partially forgivable to incentivize job creation, allowing for 50% of the loan to be forgiven when the required number of jobs are created, for example.
- Change the program name to Business Assistance Loan Program.
- No more than $500,000 shall be in CIRLF at any one point in time and funds in excess of that threshold shall automatically be moved into other CDBG program areas recommended by staff.
- The interest rate shall be reviewed on an annual basis and set by the CIRLF committee.

Previous Council Action (if any):

N/A

Budget Impact:

N/A

Additional Information as applicable (i.e. provide alternative options, community or staff input, staffing impact; resident impact; etc.):

N/A

Council Goal (if applicable):

N/A

Recommendation:

The Community and Economic Development Department recommends that the Community Development Commission review the attached policies and procedures document and recommend them for adoption by the Rock Island City Council.

Submitted by: Nichole Mata

Approved by:

Economic Development Program

1. **INTRODUCTION.** This appendix establishes the policies and procedures for the City of Rock Island's Economic Development Program (hereafter "the Program" or "Program"). The City of Rock Island ("the City" or "City") has administered various economic development programs over the past four decades. The Program has been funded in part or whole using a Community Development Block Grant entitlement award from the US Department of Housing and Urban Development. Currently the City is funding economic development activities through the use of the Commercial Industrial Revolving Loan Fund (CIRLF).

2. **CDBG PROGRAM.** The Community Development Block Grant (CDBG) program was established by Title I of the Housing and Community Development Act of 1974, Public Law 93-383, as amended, 42 United States Code 5301. Under the CDBG program, the US Department of Housing and Urban Development (HUD) awards grants to state and local governments to aid in the development of viable urban communities. To be eligible for funding, program-funded projects must satisfy one of three HUD national program objectives required in 24 CFR (Code of Federal Regulations) 570.268:

a. To benefit low- and moderate-income persons which are identified as persons with incomes below 80% of the area median household income; these income limits are determined and established by HUD utilizing Median Family Income estimates for each metropolitan area. Income limits are updated annually;
b. Prevention and elimination of slums and blight; and
c. Meeting Urgent Needs.

3. **NATIONAL OBJECTIVE.** The Economic Development Program(s) eligible activities will be administered using at least one of the following National Objectives:

Eligible Activity	LMA	LMAFI	LMASA	LMC	LMCMC	LMCSV	LMJ	SBA	SBS	SBR
Non-Residential Historic Preservation					N	N				
ED Acquisition by Recipient					N	N				
CI Infrastructure Development					N	N			N	
CI Building Acq. Const. Rehab					N	N				
Other CI Improvements					N	N				
ED Assistance to For -Profits				N	N	N			N	
ED Technical Assistance				N	N				N	
Micro-Enterprise Assistance						N			N	

CI = Commercial Industrial N = Activity Not Allowed Under the National Objective

National Objective Key		Regulation
LMC	Low/Mod Area Benefit	570.208(a)(1)
LMAFI	Low/Mod Area Benefit (CDFI)	570.208(d)(6)(i)
LMASA	Low/Mod Area Benefit (NRSA)	570.208(d)(5)(i)
LMC	Low/Mod Limited Clientele	570.208(a)(2)
LMCMC	Low/Mod Limited Clientele Microenterprise Development	570.208(b)(2)(iii)
LMCSV	Low/Mod Limited Clientele Job Service Benefit	570.208(b)(2)(iv)
LMJ	Low/Mod Job Creation or Retention	570.208(a)(4)
SBA	Slum and Blight Area	570.208(b)(1)
SBS	Slum and Blight Spot	570.208(b)(2)
SBR	Slum and Blight Urban Renewal/Planning Activities	570.208(c)

4. **ELIGIBLE ACTIVITIES.** The following are a list of eligible CDBG economic development activities:

a. Special Economic Development (24 CFR Part 570.203)
   i. Real estate and real property activities
   ii. Assisting for-profit business
   iii. Providing economic development services in connection with other eligible CDBG special economic development activities
b. Microenterprise Activities (5 or fewer employees (includes the owner))
   i. Financial Support
   ii. Technical Assistance
   iii. General Support
   iv. Training and technical support for services to increase capacity of grantee
c. Commercial Rehabilitation
d. Public infrastructure improvements that benefits business development

The following activities are strictly prohibited for use with CDBG funds. (24 CFR Part 570.207)

a. Buildings for the general conduct of government
b. General government expenses
c. Financing any political activity

5. **AUTHORITY TO UNDERTAKE ECONOMIC DEVELOPMENT ACTIVITES.** The Housing and Community Development Act of 1974 (HCDA) and CDBG regulations permit the use of CDBG funds for economic development activities under HCDA sections 105(a)(17) and 105(a)(22) and CDBG 24 CFR Part 570. The regulations permit the use of CDBG funds for "provisions of assistance to private, for-profit entities, when the assistance is appropriate to carry out an economic development project (that shall minimize, to the extent practicable, displacement of existing businesses and jobs in the neighborhoods) that:

<u>105(a)(17)</u>

A) Creates or retains jobs for low- and moderate-income persons;
B) Prevents or eliminates slums and blight;
C) Meets urgent needs;
D) Creates or retains businesses owned by community residents;
E) Assists businesses that provide goods or services needed by, and affordable to, low- and moderate-income residents; or
F) Provides technical assistance to promote any of the activities under subparagraphs (A) through (E)."

<u>105(a)(22)</u>

A) Providing credit (including providing direct loans and loan guarantees, establishing revolving loan funds, and facilitating peer lending programs) for the establishment, stabilization, and expansion of microenterprises;
B) Providing technical assistance, advice, and business support services (including assistance, advice, and support relating to developing business plans, securing funding, conducting marketing, and otherwise engaging in microenterprise activities) to owners of microenterprises and persons developing microenterprises; and
C) Providing general support (such as peer support programs and counseling) to owners of microenterprises and persons developing microenterprises.

These provisions are codified in the CDBG Entitlement program regulations at 24 CFR 570.200 through 24 CFR 570.210 (Appendix A).

6. **PROGRAM MISSION.** It is the mission of the Community Economic Development Department to provide opportunities for long-term, low-interest, supplemental financing to new and existing business that are expanding, thereby improving Rock Island's economic resilience. The City of Rock Island will utilize public/private partnerships and other identified economic partners to further economic growth in Rock Island.

7. **PROGRAM OBJECTIVES.**

a. To assist businesses that provide permanent employment that principally benefits income qualified persons as outlined in the Community Development Block Grant (CDBG) regulations (24 CFR Part 570.203).
b. Support potential gains in property tax and sales tax.

c. Maximize and stimulate private sector investment.

d. To assist in the Redevelopment of blighted properties, vacant land, as well as commercial, industrial, or service facilities that are locating or are located in Rock Island.

e. Provide financial assistance to those businesses that can document the need for financial assistance or where the use of these funds may be the determining factor for locating in the city of Rock Island.

8. **BUSINESS DEVELOPMENT STRATEGY.** The City of Rock Island's Economic Development Team will identify businesses in Rock Island looking to expand and grow through regular business outreach efforts. The Economic Development Team will provide technical business assistance and coordination of resources to business owners and entrepreneurs, and identify the appropriate agency to assist with business planning, market development and lending. Local partners can provide technical assistance to potential borrower businesses in the following areas: one-on-one consultation in the fields of business development, legal direction, management, finance, marketing, information and referral services, and the coordination of economic development assistance for small businesses. The Economic Development team will collaborate with local partners to meet the assistance needs of local businesses, both start-up and existing.

9. **FINANCE STRATEGY.** The Economic Development Program is intended to supplement existing investment through the offer of a low-interest and subordinate loan. The City of Rock Island is served by a sufficient number of diversified lending institutions that support the investment requirements of this program.

Three identified issues that hinder private investment are: 1) the lack of risk equity from potential borrowers, 2) the lack of business education on the part of potential entrepreneurs and small business owners, and 3) entrepreneurs who are undercapitalized to complete business purchase and/or expansion.

At the present time, the majority of lending institutions in the City require a business to contribute twenty to twenty-five percent of the total project cost for an expansion or start-up project. This figure may vary dependent on each project and circumstance; based on the scope of the project and the financial strength of the company and its owner(s). Some business owners and entrepreneurs seeking to start-up or expand businesses in the City of Rock Island, find it difficult to meet the ten percent equity requirement of the CIRLF Program making the twenty to twenty-five percent level from commercial lenders burdensome. The existence of the Program makes economic development viable for the business, the city, and the commercial lenders.

The City of Rock Community and Economic Development Department, Economic Development Team, and Commercial/Industrial Revolving Loan Committee will be responsible for the continued success of the Program. Responsibilities of staff will include, but are not limited to, marketing, loan development, application review, loan closing, servicing and monitoring the loans, and programmatic reporting. Fiscal responsibilities are managed by the City of Rock Island Community Economic Development (CED) Department and the Finance Department. The Economic Development Manager will be responsible for the application review process, verifying the information provided in the application. The CED Department will contract with an outside third-party underwriter to verify and ensure that all of the information that has been submitted by the applicant is true and correct. The CIRLF committee will be responsible for the approval or denial of loan applications. Additional responsibilities of the CIRLF Committee include foreclosure action, loan waivers, modifications of loan terms and the recommendation of policy changes to the City Council. The Committee will ultimately be responsible for compliance with all requirements imposed by the Community Economic Development Department in conjunction with the Program (please refer to Attachment A).

As a supplemental financing tool, the Program will directly address project financing gaps. The Economic Development team will continue to utilize its partnerships to access economic and demographic data for entrepreneurs and business planners and to address borrower capacity building needs through a variety of resources. Additionally, CED staff will work with these same partner organizations to market its CIRLF program so that potential borrowers are aware of funding availability.

The Program will provide longer term, low interest rate loans to businesses that have the highest probability of successfully creating new jobs, competing in the local marketplace and diversifying the economy. Funds will be available to any size business and may fund start-ups or expansions. While funds will primarily be used for fixed assets, applications for working capital will be considered.

10. **APPLICANT ELIGIBILITY.** To be considered eligible to participate in the Program, the business must be located within the municipal boundaries of Rock Island. The place of business must be in compliance with all city codes, property taxes must be current, and the applicant must meet all of the following requirements:

a. the business and/or property must be located within the Rock Island City Limits
b. the business must create new job opportunities for income qualified individuals
c. the applicant and business cannot hold an existing loan through the program
d. the business or project to be funded must be an eligible activity under CDBG requirements
e. any tax assessments, fees, or utility bills owed by the applicant to the City of Rock Island, County of Rock Island, State of Illinois, or the United States Government must be paid in full prior to presentation to the CIRLF Committee. Any unresolved conflicts or pending code enforcement actions from through the City of Rock Island must also be resolved before the loan can be approved
f. the applicant must have adequate insurance coverage. The insurance must cover the period of the loan. Applicants will be asked to provide proof of insurance coverage along with other documents.
g. business owners purchasing a place of business on contract are eligible to participate in the Program so long as the purchase contract is filed with the Rock Island County Recorder of Deed's office. Contract payments must be up to date and the owner of the contract shall provide notarized authorization allowing the City of Rock Island to place a lien on the building under contract.
h. all construction activities shall comply with the building codes and ordinances adopted by the City of Rock Island. All contractors shall be required to obtain the necessary permits from the City prior to beginning any construction project.

The above eligibility requirements must be met prior to the obligation of HUD-CDBG funding.

11. **LOANS.** All loans provided through the Program, must meet the mandatory Public Benefit Standards determined by HUD 24 CFR 570.203. There are two types of mandatory Public Benefit Standards, they are the following:

a. Jobs created or retained
b. Goods or services provided to LMI persons

The benefit can be an aggregate benefit or an individual benefit. An aggregate benefit provides a minimum of one job created or retained per $35,000 of Program funding or one LMI resident served per $35,000 or Program funding. The Individual benefit provides a maximum of $50,000 of Program funding per job created or retained or one LMI resident served per $1,000 of Program funding (refer to the underwriting section of this document for additional information regarding Public Benefit).

No loan through the Program shall exceed $150,000 or thirty percent (30%) of total project costs. The borrower must be in good standing with the City and may only carry one revolving loan at a time.

12. **INTEREST RATE.** The interest rate for a Program loan shall be set at 5%. The interest rate shall under no circumstances be set at less than 2%. The CIRLF Committee shall set the interest rate annually.

13. **LOAN TERM.** The term of a Program loan shall not exceed ten (10) years unless approved as an exception to policy by the CIRLF Committee. The term will vary as a function of the amount, equity, security and purpose of the loan. Loans made for fixed assets will generally have a longer term. Loans for working capital expenditures generally will not exceed three (3) years in duration. Loans for machinery and equipment shall not exceed the established useful life of the equipment. Payment shall be made on a monthly basis. Loans will be monitored within a minimum of two (2) years for performance. In order to encourage early repayment of a loan, a borrower may repay a loan without incurring a prepayment penalty.

13. **EQUITY AND COLLATERAL.** The borrower will be required to provide a minimum of ten percent (10%) equity into the project. All loans shall be secured by collateral in an amount equal to one hundred percent (100%) of the face value of the loan. Collateral requirements may vary as a function of the loan amount, equity and purpose. A secured subordinate position to another lender may be permitted. Assets other than cash that are used for collateral must be documented by appraisals or other appropriate valuation techniques.

For projects receiving direct working capital loans, the Program will obtain collateral, such as liens on inventories, receivables, fixed assets and/or other available assets of borrower(s). Such liens shall be subordinate only to existing liens of record. When appropriate, the borrower will be required to provide life insurance, fire hazard or normal business insurance on all assets for the term and in the amount of the loan.

Where required, the borrower shall obtain flood insurance on property assigned as collateral. In the event that the CIRLF Committee determines it is necessary or desirable to take action to protect or further the interest of the Program loan, the Committee may take legal actions to sue, collect, liquidate otherwise recover on loans extended by the Program. Modification of the financing terms may be approved by the CIRLF Committee or City of Rock Island CED Director to enhance the program goals and objectives and respond to changing economic needs.

14. **BUSINESS STARTUP.** Program funding for a business start-up will be considered on a case-by-case basis. Should a startup be funded all applicable Program Rules will apply.

15. **WORKING CAPITAL.** Program funds may be available to industrial, commercial, or service businesses that require fixed assets and/or working capital financing to locate, expand, or retain their operation within Rock Island. Program funds may also be made available to commercial retail business activities. Program funds will primarily be for fixed asset financing, although working capital loans may be considered.

16. **PORTFOLIO STANDARDS AND TARGETS.**

a. Goals. It is the goal of the committee to allocate up to 75% of the Program funds to finance industrial and commercial activities. Loans for Miro-Enterprise activities shall not exceed twenty-five percent (25%) of the loan portfolio.

Program funds will focus primarily on fixed asset financing, although working capital loans may be considered. Working capital loans shall not exceed twenty-five percent (25%) of the loan portfolio.

b. Private Sector Leverage. The portfolio shall average a ratio of 2:1 private to public dollars. Program funds shall not be advanced to the applicant if sufficient funds are available from other sources at terms which will permit the project to operate with satisfactory income and cash flow to sustain the business in a profitable manner. The loan will be the minimum necessary to assure project success.

The applicant will be required to document, through correspondence from the lending institution, that the lending institution is unable to finance the amount being requested through the Program.

c. Loan Selection Criteria. The City of Rock Island economic development staff will complete an initial review of each application. The review shall include an assessment of the business capacity to operate successfully, the extent to which the proposal meets the stated purposes of the plan, credit and collateral analysis, cash flow analysis, and market feasibility of the proposed business to determine if an applicant is eligible for Program funds.

Staff will include all outside documentation pertaining to the project as a whole. Documentation shall include, but is not limited to the following:

i. Bank rejection letters
ii. Other outside documentation to establish the amount of the financing gap

Staff will have the option of returning application packages which lack critical documentation or assurances, such as commitments for the private share of the financing. Staff will provide technical assistance and will also provide appropriate referral assistance for businesses ineligible under the Program.

Once the loan package is approved by staff, the loan package, with staff recommendations included, will be distributed to the CIRLF Committee for consideration. The applicant will make a presentation to the CIRLF Committee.

The CIRLF Committee shall review each application for financial feasibility, security and ability to satisfy the purposes and priorities of the Program. The Committee shall approve, by majority vote of the full Committee, applications that meet program guidelines and that are financially sound. The Committee shall not approve any application, either tentatively or conditionally, if there are not sufficient funds available in the program account. The decisions of the Committee are final and without right of appeal.

d. Fees. The CED Department will collect a check at the loan closing to cover fees associated with the application process. Fees will include, but are not limited to: UCC filing, Credit Check, and Rock Island County Recording costs.

17. **GENERAL PROGRAM GUIDANCE.**

a. CIRLF Committee. The Program shall be administered by a five (5) member committee which will have skills and experience in business and/or financial management. The committee is established as a delegated authority by the Rock Island City Council ordinance. The five-member Committee shall be appointed by the Mayor and approved by the City Council every three years, each committee member shall not serve more than two consecutive three year terms. The five-person committee membership shall consist of:

i. City of Rock Island Council member
ii. A representative of a local lending institution
iii. Rock Island CEO or CPA member
iv. A Rock Island business owner
v. A citizen with financial back ground to represent the community

The City Council member shall serve a two-year term and may be reappointed at the end of the term. The remaining committee shall serve a three-year term and be reappointed to serve an additional three-year term at the discretion of the Mayor. The members of the committee are subject to the Open Meetings Act (OMA). Each member shall complete the OMA training prior to attending the first meeting after their appointment by the City Council. When the OMA training is complete the member will receive a certificate of completion. A copy of this certificate must be provided to the City Clerk and a copy shall be provided to the CED Economic Development Manager. In the event that the OMA training has not been completed the member shall not be permitted to attend the meeting until such time as the OMA training has been completed.

The meeting minutes of the previous meeting shall be approved by a quorum. In the event that there is no quorum, the committee shall approve the minutes at the next meeting that has a quorum. All meeting minutes shall be posted on the City's website when the minutes are approved.

The Mayor, CED Director, DARI representative, Building Official, and Planning and Redevelopment Administrator shall be on the committee as nonvoting members, attending in the capacity as subject matter experts on specific projects.

The CIRLF Committee shall meet on a monthly basis or meet as necessary in an emergency. A quorum will be required for the CIRLF Committee to conduct business. A quorum will consist of a majority of the five (5) committee members. A majority vote of the Committee shall be required for loan approval, one Board member with financial experience will be required to be present at any meeting in which a loan application is being reviewed for loan approval.

CIRLF Committee duties include the review of loan packets and making determinations of loan awards, foreclosure actions, waivers and/or modifications of loan terms, and the recommendation of program policy that is not related to, or changes HUD regulatory requirements. Annually, the CIRLF Committee and the Economic Development Manager will review the goals and objectives of the Program to verify that the Program is meeting the objectives as outlined. To that end, the Economic Development Manager will prepare quarterly reports indicating periodic progress to be presented to the CIRLF Committee.

Based on review of the goals and objectives, the CIRLF Committee may decide to modify the CIRLF Policies and Procedures, staff will prepare the modifications based upon the CIRLF Committee recommendations. The written modifications will be presented to the

Committee for their consideration. If approved, staff will forward modifications to the Rock Island City Council for final approval. At a minimum, the CIRLF Program Policies & Procedures should be up dated every five (5) years in concert with the completion of the Five-Year Consolidated Plan.

b. Meeting Notification Procedures. As stated above, the CIRLF Committee Meetings are subject to OMA procedures, the following steps shall be carried out to ensure full compliance with OMA:

i. The CIRLF Meeting Notice shall be posted 48 hours prior to the meeting
ii. The notice shall be posted on the City's website and the front door of Rock Island City Hall

c. Conflicts of Interest. All CIRLF Committee members, CIRLF staff and loan applicants must submit in writing to city of Rock Island CED staff any conflict-of-interest.

18. **UNDERWRITING PROCEDURES.** The Underwriting process evaluates the risk of the proposed business venture. Because Program funding is funded with federal monies that are part of the HUD-CDBG funding allocated to the City of Rock Island, the following 24 CFR 570.209 "Guidelines for Evaluating and Selecting Economic Development Projects" must be applied to every project that is considered for funding. The CED Department will contract with an outside, third party underwriter to verify that the applicant and supplication submission adhere to the industry standards for lending. The following criteria shall apply:

a. Underwriting Criteria.

i. Ability of applicant to repay
ii. Collateral
iii. Commitment
iv. Balance sheet analysis
v. Management experience
vi. Credit history

b. Standard Loan Application Requirements. The following list of information must be submitted prior to application consideration:

i. Business Plan
ii. Balance Sheet for last two (2) years, dated within ninety (90) days of application
iii. Income statement for the last two (2) years, dated within ninety (90) days of application
iv. Income and expense projections for at least two (2) years
v. Aging of Accounts Receivable and Accounts Payable
vi. Personal balance sheets for each principal owning ten percent (10%) or more of the company
vii. SBDC meeting verification (required of start-up applicants)
viii. Cost estimates for machinery and equipment purchases and new construction and/or renovations
ix. Appraisal for purchase of building and/or land
x. Commitment letter for private financing
xi. Ten percent (10%) equity injection

c. Credit and Financial Analysis. Upon receipt of a complete application, CED staff will review the application to ensure that all of the required documentation has been provided. Staff may enlist the assistance of legal and financial professionals to complete the review. The credit and financial analysis may include; but is not limited to the following:

i. Review of Business Plan
ii. Review of Profit and Loss Statement
iii. Review of Balance Sheet
iv. Review of Personal Financial Statement
v. Credit Check
vi. Operating Cycle Analysis
vii. Ratio Analysis
viii. Capital Expenditures Analysis

ix. Reconciliation of Net Worth

Once staff have verified that a complete application package has been submitted and determined that the project is financially feasible, staff will prepare a loan summary for submittal to the CIRLF Committee. Information in the summary will include, but is not limited to the following:

i. Project description/use of RLF funds
ii. Type of business
iii. Number of jobs to create and/or retain
iv. Job/cost ratio
v. Private/Public leverage ratio
vi. Collateral and CIRLF position
vii. Source and use of funds
viii. Staff recommendation for loan application
ix. Commitment letter for private financing (attachment to Loan Summary)

Staff comments shall include a discussion of the strengths and weaknesses and any recommendations and/or suggestions they may apply to the application. The CIRLF Committee shall review each application for financial feasibility, security and the ability to satisfy the purposes and priorities of the Program. The CIRLF Committee shall receive the Loan Summary and Loan Application 3 days prior to the meeting for their review.

d. Loan Approval Procedures. The client will be invited to the scheduled CIRLF Committee meeting to present their request to the committee. They are encouraged to bring their banker or developer to the committee meeting, so the committee can get a complete understanding of the project and the utilization of all the financing associated with the proposed project. The Committee shall approve or deny, by majority vote of the Committee, any application that meets program guidelines and that has been determined to be a financially sound undertaking. The decisions of the CIRLF Committee are final and without right of appeal. The CIRLF Committee decisions are documented through minutes of the meetings.

Following the approval or denial of a loan application by the CIRLF Committee, staff will contact the applicant in writing of the Committee decision and to review conditions of the loan if approved. A copy of the letter is also sent to the participating financial institution and the program's servicing bank. The loan recommendation and action will be documented on the Loan Recommendation and Action Form which will be placed in the business file.

19. **LOAN CLOSING AND DISBURSEMENT PROCEDURES.** Program recipients will receive draft closing documents prior to the loan closing. The documents must be reviewed by the applicant or his/her legal representative for accuracy. A Closing Document Certification must be signed by the applicant. The applicant shall provide evidence of final private financing, this will generally be in the form of a commitment letter from the participating financial institution. The loan recipient shall also provide evidence of the equity provided by the applicant into the project, such as a copy of the check deposited at their financial institution. Applicants will be required to provide documentation seven (7) days prior to the loan closing date.

a. Loan Closing Documents. Standard documents that are required for the closing of a loan through the RLF program include the following:

i. Original Signed Loan Application
ii. SBDC Certificate of the initial meeting completion (required for start-up applicants)
iii. Contract/Agreement
iv. CIRLF Committee meeting minutes approving the loan
v. Personal and/or Corporate Guarantee/Promissory Note
vi. Security Agreement(s)
vii. Deed or Mortgage as Applicable
vii. Note

b. Loan Agreement Provisions. The contract and security agreement are executed by the applicant and CED staff. All other documents are executed by the applicant. These documents are completed for all loans involving the purchase of fixed assets, machinery/equipment, inventory and/or working capital.

In addition, a mortgage is executed and filed for businesses that receive funds for the purchase/renovation of land and/or building(s). Also, a Uniform Commercial Code (UCC) form is filed for those loans that utilize Program funds for the purchase of machinery/equipment, inventory, furniture and fixtures. Staff works with the participating lender in conducting UCC searches, if needed. The mortgage and UCC are executed by the loan recipient and CED staff. Following the recording of the loan documents by the first party collateral holder, the mortgage and the UCC documents are filed with the appropriate parties by CED staff. These documents are recorded as soon as possible by CED staff in order to secure collateral position.

c. Loan Disbursement Requirements. A form will be provided to the loan recipient at the loan closing in order to document fund disbursement.

20. **LOAN SERVICING REQUIREMENTS.**

a. Loan Repayment. The loan payments will be made on a monthly basis with the due date on the 1st of every month. Loan recipients will receive monthly statements from the program's servicing bank ten days prior to the loan payment due date. Monthly payment amounts and collection procedures are detailed in the note executed by the loan recipient. CED staff shall receive a monthly statement of each loan from the servicing bank. Current loan status information will be included in the statement with the unpaid principal balance and payment status. In the event that the loan recipient becomes delinquent on payments, the delinquent amount will be included on the monthly statement.

b. Defaulted Loans Up to 90 Days. Loan payments are due on the first day of each month to the servicing bank. Loan recipients are informed of the procedures used for delinquent payments at the time of loan closing. The information is also included in the contract and note, which the loan recipient receives. The CIRLF Committee shall be kept informed of any loan recipient that is delinquent on loan payments. The following are the procedures for delinquent loans within the CIRLF Program:

i. After a delinquency of thirty (30) days, a 30-day letter is sent to the loan recipient by Economic Development Staff and followed up by a phone call.
ii. After a delinquency of sixty (60) days, a 60-day letter will be sent to the loan recipient by the City Attorney.
iii. Upon receipt of the copy of the written notice, CED staff will contact the business, determine the degree of the problem and take the necessary steps for payment compliance. If no resolution is made, a CIRLF Committee Meeting will be called with staff recommendation(s) for action.

CED staff will make every effort to assist the loan recipient that is delinquent with their loan payments. The CIRLF Committee may approve the restructuring of the loan or suspension of principal payments, with interest only payments, for a specified time period.

c. Procedures for Handling Loans Over Ninety (90) Days Delinquent. Loan recipients that continue to be delinquent on loan payments, even following assistance from the CIRLF Committee and CED staff, shall be considered in default of the terms of the loan. The CIRLF Committee must approve to initiate default proceedings against the loan recipient. CED staff shall give ten (10) days written notice of default to the loan recipient. The City of Rock Island will turn the loan over to a third-party collection agency and initiate the collection process. The loan recipient shall be responsible for all fees and expenses to enforce collection.

d. Loan Write-off Procedures. In the event that a loan remains in default and proper legal efforts have been taken to collect payments but are unsuccessful, the Finance Department can proceed with a recommendation to the Rock Island City Council to request final approval to write off the debt six months after the first attempt has been made to collect the debt. The loan will be reclassified as a Bad Debt Expense in the month the Rock Island City Council acts on the recommendation to write off the loan. At no time shall the loan documents that have been filed with Rock Island County be released until the loan is paid in full by the borrower.

e. Project Monitoring. Projects that have construction costs over $2,000 are subject to Davis Bacon Prevailing Wage Act. The applicant shall provide to the Economic Development Manger Certified Payroll reports that verify that all wages have been paid according to the Act. In addition, the final 10% of the loan funds shall be held until the final inspection has been completed and the project has been passed by the city of Rock Island Inspection Department.

f. Loan Monitoring and Reporting. CED staff will monitor job creation quarterly. In order to track job creation activities, the loan recipient will provide to CED staff the employee certification form W-4 and completed job creation reports. The employee will verify their current income by completing the Income Self Certification form, the employer will submit the forms with the quarterly job creation report. This procedure will be completed for two (2) years from the project completion date. The data that is collected shall be entered into the HUD Integrated Disbursement and Information System as part of the project compliance.

A monitoring system has been established for the CIRLF Program, and incorporates information regarding the loan recipient (address, phone number and contact person), financial statements, insurance renewals, UCC refiling, and site visits. The loan recipient file will include their annual fiscal year-end financial statement. CED staff will contact the loan recipient if the financial statements/year end audit is not received within thirty (30) days following the specified date. This enables CED staff to prepare and submit the proper forms prior to the five (5) year expiration of UCC.

CED staff will conduct annual site visits and documented within the CIRLF Master file. During the site visit, CED staff verifies job creation figures and provides the loan recipient an opportunity to discuss the progress of the business and to request answers to any questions that may arise.

The Community Development Manager will audit the file to ensure that the following documents are present, fully executed and filed with the county:

i. All of loan origination documents
ii. Loan Agreement
iii. Note
iv. Personal and/or Corporate Guarantee
v. Security Agreement
vi. Tax ID
vii. DUNS #
viii. SBDC Certificate (required for start-up applicants)

All loan files shall be stored in a locked filing cabinet in the Community and Economic Development Offices located in Rock Island City Hall.

g. Expenses. Eligibility of expenses for the CDBG program are itemized in the most recent version of “Guide to National Objectives and Eligible Activities for CDBG Entitlement Communities” as published by HUD. A summary of the eligible costs are as follows:

i. Rehabilitation (hard costs). Rehabilitation hard costs are actual costs to accomplish rehabilitation. Costs of labor, materials, supplies and other expenses required for completion of the rehabilitation of property, including repair or replacement of principal fixtures and components of existing structures (e.g., items eligible for repair within the program, individually or combined). This will be the total amount of the Contractor’s invoice and the amount noted on the Recapture Agreement.
ii. Service costs (soft costs). Staff costs and related expenses required for outreach efforts for marketing the program, rehabilitation counseling, screening potential applicant households and structures, energy auditing, preparing work specifications, loan underwriting and processing, inspections, and other services related to assisting owners, tenants, contractors, and other entities who are participating or seeking to participate in rehabilitation.

The following are examples of soft costs:

i. Financing fees, credit reports, title binders and insurance, recording fees, transaction taxes, impact fees, legal and accounting, appraisals, architectural and engineering fees.
ii. Administrative costs.
iii. Environmental review costs.
iv. Evaluation costs (risk assessments, visual assessments or inspections)
v. Laboratory and analysis fees
vi. Lead sample testing supplies
vii. Occupant protection, including relocation, storage or protection of belongings
viii. Waste handling attributable to lead-based paint hazard reduction.
ix. Specialized cleaning designed to remove LBP dust. The contractor can provide an estimate of the incremental costs associated with LBP hazard reduction.
x. Clearance activities, including visual assessments, dust wipes, and reports.

iii. Record retention period. Under the uniform administrative requirements of the CDBG regulations, grantees and sub recipients are required to retain CDBG records for a period of not less than four years. For sub recipients, the record retention period begins from the date of the submission of the CAPER in which the specific activity was reported on for the final time rather from the date of submission of the final expenditure report for the award.

iv. Access to Records. HUD and the Comptroller General of the United States, or their authorized representatives, have the right to access grantee and sub recipient program records. This right is not limited to the retention period. Requirements regarding public access to records include:

CDBG grantees are required to provide citizens with reasonable access to records regarding the past use of CDBG funds, consistent with applicable state and local laws regarding privacy and confidentiality; and

The Consolidated Plan regulations require that grantees provide citizens, public agencies and other interested parties with reasonable and timely access to information and records relating to the jurisdiction's Consolidated Plan and the use of assistance under the programs covered by the Consolidated Plan.

v. CDBG Allocation Process. Please refer to the City's main CDBG Policies and Procedures manual for the overall application and allocation process.

vi. Consolidated Plan. It is the responsibility of the Community Development Manager to ensure that the Consolidated Plan is completed accurately and timely. The Consolidated Plan is prepared by the City of Rock Island every five years and describes needs, resources, priorities and proposed activities to be undertaken with respect to CDBG funds. An approved Consolidated Plan is one which has been approved by HUD.

The Economic Development staff is responsible for making sure that proposed activities for the next five years are included in this analysis in order to continue.

vii. Annual Action Plan. It is the responsibility of the Community Development Manager to ensure that the Annual Action Plan is completed accurately and in a timely manner. This document serves as the annual application to HUD for funding and must reflect the proposed activities that are in the Consolidated Plan. If a new activity is being proposed for funding, the Consolidated Plan must be amended. Further information on what triggers a Consolidated Plan amendment can be found in the City's main CDBG Policies and Procedures manual. Information on TNHSP staff and support costs are detailed in the Annual Action Plan as well as the expected accomplishments for each activity. A majority of the information used for the Annual Action Plan will be used from the applications submitted for funding for that program year. It is the Economic Development staff responsibility to make sure that the proposed accomplishments are adjusted with the final allocation amounts and to track accomplishments on a 5-year basis to ensure that the Consolidated Plan goals are being met. If they are not, then a possible amendment to the Consolidated Plan may need to be made.

viii. Policies and Procedures update. Community and Economic Development staff will review policies and procedures on an annual basis.

21. **GENERAL PROGRAM POLICIES**

a. Fraud. If, at any time, an act of fraud is perpetrated by the applicant, the applicant's eligibility to receive and/or obtain assistance under the terms of the Program shall be terminated. If the act of fraud is not perpetrated and/or discovered until after loan closing or the Letter of Commitment has been issued for the program, the financial commitment shall be terminated and the City shall require funds, which have already been expended to be repaid in full, one month after a letter, issued from the desk of the City Attorney outlining the fraud is sent by certified mail has been received by the borrower.

b. Ownership. Property ownership shall be confirmed through title search, tax records, and insurance policy information. In the event that the business owner is not in possession of the place of business, the property owner will provide a notarized affidavit that any and all changes to the building as part of the Program project are approved by the holder of the property deed.

c. Allowable Program Activities. The Program shall be available to the following businesses: industrial, commercial/retail, and service sector businesses. Private businesses in all stages of development shall be eligible for funding, so long as they meet the criteria specified herein. Loans through the Program can be used for, but are not limited to, new construction, reuse and modernization of facilities, purchase of machinery and equipment.

d. Prohibited Program Activities. The following will not be funded through the Program:

i. Speculative activities, such as land banking and the construction of speculative buildings, since they do not normally result in near-term job creation or retention.
ii. Program assistance must be withdrawn if for any reason the activity financed is moved from the eligible area.
iii. Program funds used for the purpose of investing in high interest accounts, certificates of deposit or other investments.
iv. Program funds used as a loan guarantee program.
v. Program funds used as a substitute for private capital. The City of Rock Island CED staff will prepare a written analysis within the loan summary and recommendation which is submitted to the CIRLF Committee for review and approval. The analysis will be placed in the loan file. The written analysis will include evidence, such as a bank rejection letter or a list of banks contacted, the amount of funds requested and the bank responses to show that the CIRLF is not substituting for private capital. The documentation will also show that credit is not available on terms and conditions which would permit completion and/or the successful operation or accomplishment of the project activities to be financed.
vi. Funding activities that would create a potential conflict-of-interest for any officer or employee of CIRLF committee, or any current or former member of the CIRLF Committee, elected or appointed official, or staff who reviews, approves or otherwise participates in decisions on CIRLF loans. Loan activities which directly benefit these individuals or people related to them by blood, marriage or law are prohibited in accordance with terms of the plan.
vii. Program funds used to acquire equity position in a private business.
viii. Subsidized interest payments on an existing bond.
ix. Use of Program funds for equity contributions required of borrowers under other federal loan programs.
x. Use of Program funds that may enable a borrower to acquire an interest in a business either through the purchase of stock or through the acquisition of debts.
xi. Use of Program funds to refinance existing debt, unless in compliance with applicable program regulations.

22. **OTHER REGULATIONS**

a. RECORDS TO BE MAINTAINED (570.506). HUD regulation § 570.506 defines the process and types of records that must be maintained by the city. Records and documentation are maintained in order to demonstrate activity eligibility, national objective compliance, allowability of costs, and cost reasonableness. Appropriate staff will maintain all records required by the Federal regulations specified in 24 CFR 570.506, that are pertinent to the activities to be funded. Such records shall include but are not limited to:

   i. Records providing a full description of each activity undertaken,
   ii. Records demonstrating that each activity undertaken meets one of the National Objectives of the CDBG program,
   iii. Records required to determine the eligibility of activities,
   iv. Records required to document the acquisition, improvement, use or disposition of real property acquired or improved with CDBG assistance,
   v. Records documenting Davis Bacon Labor Standards have been met and are in accordance with the appropriate prevailing wages for all construction activities,
   vi. Financial Self Certification forms and Employer Job tracking documentation
   vii. Financial records as required by 24 CFR 570.502, and 2 CFR 200.; and
   viii. Other records necessary to document compliance with Subpart K of 24 CFR Part 570.

   The CED department shall retain all financial records, supporting documents, statistical records, and all other records pertinent to the HUD CDBG program. The retention period begins on the date the activities are recorded in IDIS. In the event of litigation, claims, audits, negotiations, or other actions that involve the above cited records that have been initiated before the expiration of the five-year period, then such records shall be retained through the resolution of all issues.

b. CONFIDENTIALITY. The City of Rock Island and its employees shall maintain the confidentiality of all applicant information. Confidentiality shall apply to the applicant's identity and location of the subject property, as well as personal information supplied by the applicant and received by the City of Rock Island to determine the applicant's eligibility.

c. FINANCIAL MANAGEMENT SYSTEMS 2CFR 200.64 (local governments). CDBG funded Commercial/Industrial Revolving Loan Program executes outside contracts. The City of Rock Island CDBG program records an encumbrance/obligation when contracts are executed, purchase orders issued, etc. The city's CDBG program maintains compliance by maintaining supporting documentation for expenditures with invoices, contracts, or purchase orders, etc.

   The City of Rock Island has segregated the duties and controls to effectively reduce the opportunity for the perpetration or concealment of errors or irregularities in the normal course of duties.

   The City of Rock Island has internal control procedures that support its ability to prepare financial statements that are fairly presented in conformity with generally accepted and appropriate accounting principles and regulatory requirements. The City undergoes an annual single audit, which ensures the accuracy and integrity of data provided through a qualified opinion on the audited annual financial statements and internal controls.

   Staff reviews financial information (e.g., drawdowns, unexpended balances) recorded in HUD's financial management systems (e.g., LOCCS, IDIS) to ensure that it matches the official accounting records of the Program for the period covered by the last CPD-required performance report [24 CFR 570.507; 24 CFR 91.520]

   The Community Economic Development Director, Community Development Manager, and Economic Development Manager work directly with the Finance Department to ensure that the information on obligations, expenditures, and program income submitted to HUD reconcile with the program participant's accounting records [24 CFR 570.504; 24 CFR 570.507; 24 CFR 91.520]

d. PROJECT REPORTING. Each loan that is funded through the program shall be entered into the HUD Integrated Disbursement and Information System (IDIS). All project milestones shall be recorded and data entered in a timely manner and meet the HUD CDBG reporting requirements.

e. PROCUREMENT, EQUIPMENT, AND REAL PROPERTY 2 CFR 200.317-326. The Program shall follow the City of Rock Island procurement standards or the Office of Management and Budget procurement standards at § 2 CFR 200 (whichever is more stringent) when equipment and services are procured.

f. LABOR STANDARDS (24 CFR 570.603). The Program shall adhere to all applicable regulations regarding labor standards. All laborers and mechanics employed by contractors or subcontractors on construction work in excess of $2,000 and financed in whole or in part with CDBG funds shall be paid "prevailing wages" that have been determined in accordance with the Davis-Bacon Act as amended (40 U.S.C. 276a–276a-5). The Contract Work Hours and Safety Standards Act (40 U.S.C. 327–333) also applies to such activities.

g. ENVIRONMENTAL REQUIREMENTS (24 CFR 570.604). At the start of every Program Year an environmental review of CDBG Service Delivery programs is completed and up loaded in to the HUD HEROS system. Grantees are required to assume responsibility for environmental review, decision making, and other actions that would otherwise apply to HUD under the National Environmental Policy Act of 1969 and other related provisions of law.

Under no circumstance shall CDBG assistance be obligated to the project until the environmental review document is completed and mitigation measures (if applicable) have been addressed. This includes but is not limited to, incurring project costs, entering into an agreement, or letting bids until the appropriate environmental review and public notification process has been completed, and it has been determined that no other environmental measures are to be undertaken. Activities not subject to this restriction are those the regulations define as exempt from environmental review. However, before any party involved with the project can incur costs, even for activities that are exempt, the grantee must first make a formal determination that the activity is exempt. (The list of activities that are exempt from environmental review are found in 24 CFR part 58.34 and 58.35(b).

h. HISTORIC PRESERVATION (36 CFR Part 800). It is the responsibility of the city to evaluate properties receiving federal assistance and consult with the State Historic Preservation Office as to whether the property:

i. is or could be determined eligible for listing on the National Register of Historic Places;
ii. is located in a historic district or an area which could be determined eligible as a historic district;
iii. involves proposed changes that could have an adverse effect to a historic property that has been landmarked.

In the event that the undertaking has been determined to be an adverse effect to a historic property, the city will identify all consulting parties to discuss the project impact and possible mitigation measures. Once the consulting parties agree on the mitigation, a Memorandum of Agreement must be completed with stipulations that provide clear and concise mitigation measures with all parties identified (36 CFR Part 800).

i. NATIONAL FLOOD INSURANCE PROGRAM (24 CFR 570.605). The City of Rock Island participates in the National Flood Insurance Program and is protected by a United States Army Corps of Engineers flood wall, which has been certified by the National Emergency Management Agency. Areas within the flood wall are prone to ponding; projects undertaken in the ponding areas are required to have flood insurance and provide proof of flood insurance prior to and during the completion of the project.

i. Note, there is a statutory prohibition against providing Federal assistance to a person who had previously received Federal flood disaster assistance conditioned on obtaining and maintaining flood insurance and the person failed to obtain and maintain such insurance. (24 CFR 58.6(b)).

j. FLOODPLAIN MANAGEMENT (24 CFR Part 55). Potential projects receiving federal assistance that propose new construction or substantial improvements of existing buildings located within the floodplain or special flood hazard areas shall be subject to 24 CFR Part 55.20, the "Eight Step Decision Making Process." Until such time as the Decision Making Process is complete and mitigation measures in place, no federal funding or commitments can be obligated or agreements entered into.

    i. Note: Executive Order 11988, Floodplain Management, directs agencies "to avoid direct or indirect support of floodplain development wherever there is a practicable alternative" (24 CFR Part 55).

k. CONFLICT OF INTEREST (24 CFR 570.611). The Program shall follow the provisions of 2 CFR 200 and 24 CFR 570.611, which include (but are not limited to) the following:

    i. The City maintains a written code or standards of conduct that shall govern the performance of its officers, employees or agents engaged in the award and administration of contracts supported by Federal funds (All employee policies and guidelines can be found at intranet.rigov.org/human-resources/personnel-policies).
    ii. No employee, officer, or agent of the City shall participate in the selection, or in the award, or administration of, a contract supported by Federal funds if a conflict of interest, real or perceived, would be involved.

No covered persons who exercise or have exercised any functions or responsibilities with respect to CDBG-assisted activities, or who are in a position to participate in a decision-making process or gain inside information with regard to such activities, may obtain a financial interest in any contract, or have a financial interest in any contract, subcontract, or agreement with respect to the CDBG-assisted activity, or with respect to the proceeds from the CDBG-assisted activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for a period of one (1) year thereafter. For purposes of this paragraph, a "covered person" includes any person who is an employee, agent, consultant, officer, or elected or appointed official of the Grantee, the Subrecipient, or any designated public agency.

There are two conflict of interest provisions applicable to activities carried out with CDBG funding. The first, applies to the procurement of goods and services by subrecipients (2 CFR 200.93 and 24 CFR 570.611(a)(1)) The second provision is located at 24 CFR 570.611(a)(2). These provisions cover situations not covered by 2 CFR 200.

With respect to procurement activities, the subrecipient must maintain written standards of conduct governing the performance of its employees engaged in the award and administration of contracts. At a minimum, these standards must require that no employee, officer, or agent may participate in the selection, award, or administration of a contract supported by federal funds if a real or perceived conflict would be involved. Such a conflict would arise when any of the following parties have a financial or other interest in the firm selected for an award:

i. an employee, officer, or agent of the subrecipient;
ii. any member of an employee's, officer's, or agent's immediate family;
iii. an employee's, agent's, or officer's partner; or
iv. an organization which employs or is about to employ any of the in the preceding section.

It is also required that employees, agents, and officers of subrecipients neither solicit nor accept gratuities, favors, or anything of value from contractors, or parties to sub-agreements. However, subrecipients may set standards for situations in which the financial interest is not substantial or the gift is an unsolicited item of nominal value. Disciplinary actions for any violations of the regulations or policies by employees, agents, or officers of the subrecipient agency will be handled according to the above policies.

With respect to all other CDBG-assisted activities, the general standard is that no employee, agent, or officer of the subrecipient, who exercises decision-making responsibility with respect to CDBG funds and activities, is allowed to obtain a financial interest in or benefit from CDBG activities, or have a financial interest in any contract, subcontract, or agreement regarding those activities or in the proceeds of the activities. Specific provisions include:

i. any person who is an employee, agent, consultant, officer, or elected or appointed official of the grantee, a designated public agency, or a subrecipient, and to their immediate family members, and business partner(s).
ii. during employee tenure and for a period of 1 year after leaving the grantee or subrecipient organization.

Upon written request, exceptions may be granted by HUD on a case-by-case basis, after consideration of the cumulative effect of various factors listed at 24 CFR 570.611(d), and only with: (a) full disclosure of the potential conflict, and (b) a legal opinion of the grantee's attorney that there would be no violation of state or local laws in granting the exception.

l. PROGRAM MONITORING (24 CFR 570.501(b), 2 CFR 200.327-329, and 2 CFR 200.330-332. The Community and Economic Development Department is responsible for ensuring that all CDBG funds under its oversight are used in accordance with all program requirements, and for determining the adequacy of the City's performance and subrecipient performance. Accordingly, the Community Development staff is empowered to make site visits and review program files of the CDBG recipients as necessary to fulfill these responsibilities.

m. SUSPENSION AND TERMINATION (24 CFR 570.503 (b) (6), 2 CFR 200.338-342. When problems arise in the performance of a subrecipient, the grantee is responsible for taking appropriate actions for correcting these deficiencies, including suspending or terminating the CDBG activities being carried out by the subrecipient (24 CFR 570.501(b)).

Consistent with 24 CFR 570.503(b)(6), the written agreement between the grantee and the subrecipient must specify that suspension or termination may occur if the subrecipient materially fails to comply with any term of the CDBG award, and that the agreement may also be terminated for convenience (also see 24 CFR 85.43–85.44 and 84.62).

n. UNALLOWABLE COSTS. The City of Rock Island excludes any unallowable costs as itemized in 2 CFR Part 225, Appendix B, including: entertainment, contributions and donation, fines and penalties, general government expenditures, lobbying and political activities from direct or indirect funding through the CDBG Economic Development Program.

o. LOBBYING. The City of Rock Island prohibits the use of any federal, state, or locally appropriated funds to be used to compensate any person for influencing, or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any federal contract, grant, loan, or cooperative agreement.

If any federal, state, or locally appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the city will complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

p. POLITICAL ACTIVITY (24 CFR 570.207(a)(3)). Pursuant to the Hatch Act, no Economic Development Program funds will be used for political activities. Personnel employed with CDBG funding will in no way, or to any extent, engage in the conduct of political activities in violation of Chapter 15 of Title V of the U.S.C. The City prohibits the use of CDBG funds to finance the use of facilities or equipment for political purposes or to engage in other partisan political activities, such as sponsoring candidate forums, distributing brochures, voter transportation, or voter registration. However, a facility originally assisted with CDBG funds may be used on an incidental basis to hold meetings, candidate forums, or voter registration, provided that all parties and organizations have access to the facility on an equal basis and are assessed equal rent or use charges, if any.

q. NON-DISCRIMINATION AND ACTIONS TO FURTHER FAIR HOUSING. Pursuant to 24 CFR 5.105 (a), CDBG grantees and sub-grantees must also comply with various fair housing and civil rights laws, including but not limited to the Fair Housing Act, Title VI of the Civil Rights Act of 1964, and Section 504 of the Rehabilitation Act of 1973. Grantees and-sub-grantees must assure that all Economic Development CDBG-funded activities do not discriminate on the basis of race, color, religion, sex, disability, familial status, or national origin.

i. Title VI of the Civil Rights Act of 1964 (Public Law 88-352 implemented in 24 CFR Part 1): This law states that no person shall, on the grounds of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance.

ii. Women and Minority Business Enterprises – Refer to 570.506(g), 2 CFR 200.320, affirmative steps documentation.

iii. Section 109 of Title I of the Housing and Community Development Act of 1974 prohibits CDBG grantees and sub-grantees from conduct that will cause discrimination on the ground of race, color, national origin, religion, or sex, in the participation in any program or activity funded in whole or in part with Federal financial assistance.

iv. Executive Order 11063, as amended by Executive Order 12259 (implemented in 24 CFR Part 107): This order and its implementing regulations require HUD to take all actions necessary to prevent discrimination because of race, color, religion, sex, or national origin in the use, occupancy, sale, leasing, rental, or other disposition of residential property assisted with Federal loans, advances, grants, or contributions.

v. Section 104(b) of Title I of the Housing and Community Development Act of 1974, as amended (42 U.S.C. 5301 et. seq.): This law provides that any grant under Section 104 shall be made only if the grantee certifies to the satisfaction of the Secretary of HUD that the grantee will, among other things, affirmatively further fair housing.

vi. Section 109 of Title I of the Housing and Community Development Act of 1974, as amended (42 U.S.C. 5301 et. seq., particularly 42 U.S.C. 6101 et. seq., and 29 U.S.C. 794): This law mandates that no person on the grounds of race, color, national origin, sex, or religion shall be excluded from participation, denied the benefits of, or otherwise be subject to discrimination under any activity funded in whole or part with CDBG funds.

vii. Section 3 of the Housing and Community Development Act of 1968 (12 U.S.C. 1701u): This section implemented at 24 CFR Part 135 requires that, to the greatest extent feasible, a subrecipient must:

1. Ensure that opportunities for training and employment arising in connection with a housing rehabilitation (including reduction and abatement of lead-based paint hazards), housing construction, or other public construction project are given to low-and very low-income persons residing within the metropolitan area in which the CDBG-funded project is located; where feasible, priority should be given to low-and very low-income residents within the service area of the project or the neighborhood in which the project is located, and to low-and very low-income participants in other HUD programs.
2. Award contracts for work undertaken in connection with a housing rehabilitation (including reduction and abatement of lead-based paint hazards), housing construction, or other public construction project are given to business concerns that provide economic opportunities for low-and very low-income persons residing within the metropolitan area in which the CDBG-funded project is located; where feasible, priority should be given to business concerns which provide economic opportunities to low-and very low-income residents within the service area or the neighborhood in which the project is located and to low-and very low-income participants in other HUD programs.

viii. Section 504 of the Rehabilitation Act of 1973, as amended (implemented at 24 CFR Part 135): This section specifies that no otherwise qualified individual shall solely by reason of his or her handicap be excluded from participation (including employment), denied program benefits, or subjected to discrimination under any program or activity receiving Federal assistance. Part 8 requires that recipients ensure that their programs are accessible to and usable by persons with disabilities. Part 8 also prohibits recipients from employment discrimination based upon disability.

ix. The Americans with Disabilities Act (ADA) of 1990: This law prohibits discrimination on the basis of disability in employment by state and local governments and in places of public accommodation and commercial facilities. The ADA also requires that facilities that are newly constructed or altered, by, on behalf of, or for use of a public entity, be designed and constructed in a manner that makes the facility readily accessible to and usable by persons with disabilities. The Act defines the range of conditions that qualify as disabilities and the reasonable accommodations that must be made to assure equality of opportunity, full participation, independent living, and economic self-sufficiency for persons with disabilities.

x. The Age Discrimination Act of 1975, as amended: This law provides that no person shall be excluded from participation, denied program benefits, or subjected to discrimination on the basis of age under any program or activity receiving Federal assistance.

xi. Executive Order 11246 (as amended by Executive Orders 11375 and 12086) — Equal Opportunity Under HUD Contracts and HUD-assisted Construction Contracts: This order requires that grantees and subrecipients and their contractors and subcontractors agree not to discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin.

xii. The Architectural Barriers Act of 1968: The Architectural Barriers Act (ABA) of 1968 (ABA) (42 U.S.C. 4151-4157) requires that certain buildings financed with Federal funds must be designed, constructed, or altered in accordance with standards that ensure accessibility for persons with physical disabilities. The ABA covers any building or facility financed in whole or in part with Federal funds, except privately owned residential structures. Covered buildings and facilities designed, constructed, or altered with CDBG funds are subject to the ABA and must comply with the Uniform Federal Accessibility Standards.

xiii. Fair Housing Act, Title VIII of the Civil Rights Act of 1968 (Public Law 90-234): The Fair Housing Act prohibits discrimination in housing practices on the basis of race, color, religion, sex, and national origin. The Fair Housing Act was amended in 1988 to provide protections from discrimination in any aspect of the sale or rental of housing for families with children and persons with disabilities. The Fair Housing Act also establishes requirements for the design and construction of new rental or for-sale multi-family housing to ensure a minimum level of accessibility for persons with disabilities.

xiv. Limited English Proficiency. Recipients of CDBG funds should take reasonable steps to ensure meaningful access to their programs and activities to limited English proficient individuals. As an aid to recipients, the Department published Final Guidance to Federal Financial Assistance Recipients: Title VI Prohibition Against National Origin Discrimination Affecting Limited English Proficient Persons (LEP Guidance) in the Federal Register at 72 FR 2732. For assistance regarding LEP obligations, go to www.justice.gov/crt/lep/guidance/HUD_guidance_Jan07.pdf. For more information on LEP, please visit www.hud.gov/offices/fheo/promotingfh/lep.cfm.

Sources for information

Websites to reference for further questions on Federal Policies and/or recommended procedures:

www.hud.gov

www.hudexchange.info
http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips
www.ecfr.gov

Entitlement CDBG Specific Manuals (all can be found through search resources on hudexchange.info): Basically CDBG
Guide to National Objectives and Eligible Activities for CDBG Entitlement Communities
IDIS for CDBG Entitlement Communities
CDBG Crosscutting Issues Toolkit
Managing CDBG: Guidebook for CDBG Grantees on Sub recipient Oversight
Playing by the Rules: A Handbook for CDBG Sub recipients on Administrative Systems
Applicable CFR's
CPD Notices