MEMORANDUM FOR: All interested Small Business Development Organizations, Nonprofit Small Business Lending Intermediaries (including Community Development Financial Institutions or CDFIs), Local Governmental Entities, and formal partnerships organized among such entities.

FROM: The North Carolina Department of Commerce, Rural Economic Development Division

**SUBJECT: Notice of Funding Availability (NOFA) for the Community Development Block Grant Disaster Recovery Small Business Recovery Assistance**

**Background**

The North Carolina Department of Commerce (Commerce) is pleased to announce the availability of approximately $10,000,000.00 in federal Community Development Block Grant (CDBG) Program Disaster Recovery funds for small businesses located in areas impacted by Hurricane Matthew, especially the four most impacted counties: Robeson, Cumberland, Edgecombe, and Wayne. The funding has been allocated to the State of North Carolina (State) by the U.S. Department of Housing and Urban Development (HUD) pursuant to the Housing and Community Development Act of 1974, as amended. The Department of Housing and Urban Development (HUD) appropriated $198,553,000 in Community Development Block Grant Disaster Recovery (CDBG-DR) funding to the State of North Carolina, using the best available data to identify and calculate unmet needs for disaster relief, long-term recovery, restoration of infrastructure, and housing and economic revitalization. In addition, 80% of the total funds, or $158,842,400, will go to the most impacted areas.

**Small Business Recovery Needs and Program Purpose**

According to the North Carolina Department of Emergency Management, Hurricane Matthew caused non-residential property damage in 42 North Carolina counties in October 2016. In total, 19,603 non-residential buildings were damaged, resulting in $753 million worth of damage. Following the storm, 8,796 businesses requested applications for recovery loans from the US Small Business Administration (SBA). Of these, 1,054 applied for SBA Business Disaster Loans. As of February 26, 2017, SBA had approved only 348 (33% approval rate) of the applications for $23.4 million of financing. In comparison to Hurricane Floyd in 1999, 6,203 businesses applied for SBA Business Disaster Loans, about 65% of which were approved for $188 million in financing. In response, the Governors’ Hurricane Recovery Office has requested that $10,000,000.00 of CDBG-DR funds be allocated to support small businesses in hurricane-affected areas. The North Carolina Department of Commerce will administer these funds given the Department’s extensive experience supporting small businesses with resources and technical assistance, and its relationships with key partners including SBA Small Business and Technology Development Centers and Community Development Financial Institutions.

The Small Business Recovery Assistance will offer grants to lending entities to provide a 50/50 grant and credit products to small businesses in flood-affected areas, helping to improve the availability and accessibility of commercial credit in hurricane affected areas and economically impacted communities. Grants will be made to grantee organizations to fund very low interest revolving loan programs and grants that will serve as ongoing sources of funding to further address unmet small businesses lending needs in flood-affected areas.

**Eligible Applicants and Eligible Programs**

All interested Small Business Development Organizations, Nonprofit Small Business Lending Intermediaries (including Community Development Financial Institutions or CDFIs), Local Governmental Entities, and formal partnerships organized among such entities.

Eligible programs include small business lending programs that expand access to small business credit within flood-affected areas, especially the most impacted areas: Robeson, Cumberland, Edgecombe, and Wayne counties.

**Eligible Activities**

All small business program activities must adhere to the applicable criteria as set forth by the NC Business Recovery Program and CDBG National Objectives. All program activities must meet an applicable CDBG National Objective. All the activities funded through the Program are required to meet either Low and Moderate Income (LMI) or Urgent Need National Objectives. Preliminary Letters of Interest will first be evaluated to determine eligibility under the LMI National Objective requirements in accordance with HUD standards. If the applicant does not meet the definition of meeting the LMI National Objective, eligibility for assistance is determined through meeting Urgent Need National Objective. Grantees under the LMI and Urgent Needs National Objectives must be able to document how funds responded to the disaster-related impact. The State oversees eligibility determinations and makes the final decisions on eligibility in instances where existing policies are not yet defined. Eligible activities include:

* Financing for payment of interior and exterior repairs and property improvements to owner and renter occupied commercial properties (including permits, engineering and architectural costs). These improvements may include ADA accessibility improvements.
* Financing for furniture, fixtures, and equipment (FF&E). Also, purchase and installation of equipment.
* Using grant or loan financing to pay for working capital or to pay for marketing costs, operating expenses, and inventory.
* Funds for relocation of any displaced persons due to CDBG project development are also eligible under this program.

**Grantee Selection Criteria and Program Funding Priorities**

NC Commerce will select applications through a competitive application process that will rank lender experience, small business need, deployment speed, and loss expectations among other items to determine up to three small business lending programs that can be deployed within flood-affected areas. Successful applicants will have standard, uniform underwriting procedures, a proven track record of small business lending, local experience in the flood-affected area, and experience managing federal grant programs.

In addition, funding priority will be given to programs that target at least five of nine of the following criteria / outcomes:

* Expand access to small business credit within flood-affected areas, especially the most impacted areas: Robeson, Cumberland, Edgecombe, and Wayne counties.
* Comply with all federal and state CDBG compliance and reporting guidelines for business lending.
* Be able to identify and quantify a specific geographic, sector, or structural capital need that would not be funded but for this infusion of grant capital into the applicant lender.
* Be able to identify and quantify a well-defined pipeline of existing small businesses that would not be funded but for this infusion of grant capital into the applicant lender.
* Low to moderate projected portfolio default risk, allowing funds to be deployed multiple times.
* Projected average commercial loan size is below $100,000, maximum loan amounts of $150,000.
* Deploy the majority of granted funds into small businesses by March 31, 2018.
* Deploy granted funds in a way that enables small businesses to restart, improve or expand an existing business in a the most impacted areas: Robeson, Cumberland, Edgecombe, and Wayne counties.
* The program will drive economic activity as part a community resiliency plan or a part of a community or economic development plan.

**Grant Parameters**

* Grants up to $5 million to any single participating grantee/lender.
* Projects requesting maximum grant amounts must meet most of the program priorities and have significant economic impact in the hurricane-affected community.
* Any commitment to provide grant capital through this NOFA will expire 8 months from the date of the final award letter.
* Grant funds can be received upon small business loan commitment.
* Monthly reporting will include financial statements, portfolio performance and covenant compliance.
* Monthly reporting also will include a narrative update focused on use of funds and progress toward meeting the identified purpose.
* Nonprofit commercial lending intermediaries may use 5% of total grant award for grant administrative cost, and an additional 5% for service delivery costs upon redeployment of funds.

**Application and Funding Distribution Timeline**

* By August 1, 2017: The Department of Commerce announces the program through a Notice of Funding Availability (NOFA) on the Commerce website.
* By August 14, 2017: Interested parties should complete the Preliminary Letters of Interest and Supplemental Forms outlining proposed activities, estimated expenses, and expected outcomes, of the program. The proposal form is included below and found at http://www.nccommerce.com/rd/state-cdbg.
* By August 21, 2017: Commerce will review Preliminary Letters of Interest, conducting diligence calls and site-visits with lenders under consideration.
* By August 21, 2017: Commerce will invite full applications from top-rated Preliminary Proposals of Interest.
* By August 28, 2017: Commerce will announce successful awardees via the Commerce site
* By September 4, 2017: Commerce will issue contract documents to the grantee entities
* Upon receipt of signed contract documents from potential grantees, the Department of Commerce will then establish time for start-up visit.

As outlined above, grant proposals should be submitted no later than August 14, 2017 and addressedto**:**

Iris Payne, CDBP Program Director

North Carolina Department of Commerce, Rural Economic Development Division

Email: iris.payne@nccommerce.com

301 N. Wilmington Street (For Overnight Delivery Services)

4346 Mail Service Center (For US Postal Service)

Raleigh, NC 27699

**2017-2018 Small Business Recovery Program Proposal of Interest Form**

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| **Potential Grantee Information** |
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| **Legal Name of Entity (and type):** |        | County: |       |  | Tier # |       |
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| Name of Head of Organization: |       | Title: |       |
|  |
| Mailing Address: |       | Street Address: |       |
|  |
| City: |       | State: |       | Zip: |       |
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| Primary Telephone(s): |       | Fax: |       |
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| Email: |       | Federal Tax ID #: |       |
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| **Organization Program Contact:** |
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| Name: |       | Title: |       |
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| Primary Telephone: |       | Email: |       |
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| **Grant Administrator (if applicable)** |       |
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| Mailing Address: |       | Street Address: |       |
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| City: |       | State: |       | Zip: |       |
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| Name: |       | Title: |       |
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| Primary Telephone: |       | Fax: |       |
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| Email: |       | Federal Tax ID #: |       |

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| --- | --- | --- |
|  |  | Check One |
|  |  | **Yes** |  | **No** |
| 1 | Is your organization a federally or state authorized or regulated small business lending entity? |  |  |  |
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| 2 | Does your organization currently provide lending or other services to small businesses located in areas impacted by Hurricane Matthew, especially the four most impacted counties: Robeson, Cumberland, Edgecombe, and Wayne counties? |  |  |  |
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| 3 | Does your organization currently have a small business lending or business services pipeline in hurricane affected areas of more than $5 million? |  |  |  |
|  |
| 4 | Does your organization have experience as the successful recipient and/or administrator of US Housing and Urban Development (HUD) grants? If yes, please identify your most recently active grant:   Program Name:       Date:        |  |  |  |
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| 5 | What amount of Small Business Recovery Grant does your organization plan to apply for? |  |  |  |
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|  | Amount: |       |  |  |  |  |
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| 6 | What is the average expected loan size? |  |  |  |
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|  | Amount: |       |  |  |  |  |
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| **Program Information** |
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| 1 | Provide a description of your lending entity and its current activities (500-word limit).  |
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| 2. | Summarize total lending and service capacity of your entity, both organizationally and within flood-affected areas (1,000-word limit). |
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| 3. | Provide a description of the proposed lending program along with projected program outcomes in terms of dollars leveraged into flood affected areas, jobs created, economic revitalization, and small business development (1,000-word limit). |
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| 4. | Provide a timeline for the deployment of grant capital into small businesses through the proposed program. (500-word limit). |
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| 5. | Provide a short resume on each of the principals of the applying entity, summarizing their previous experience and education.  |
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| 6. | Provide a summary budget that outline the costs associated with administration of the loan and program over a 5-year period. |
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| 7. | Financial Statements For existing entities, the previous three years’ income statements and balance sheets and federal tax returns must be included. Financial statements should be prepared in accordance with Generally Accepted Accounting Principles and signed by the preparer. An audited financial statement is preferred when it is available. If applicant provides a reviewed and/or compiled set of financial statements that do not contain an explanation of existing financial obligations, please attach a separate explanation and the necessary support documentation for any financial obligations.. |

**Applicant Certifications**

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| The attached statements and exhibits are hereby made part of this application, and the undersigned representative of the applicant certifies that the information in this application and the attached statements and exhibits are true, correct, and complete to the best of the signatory’s knowledge and belief.  The signatory further certifies: |
| 1 | as Authorized Representative, the signatory has been authorized to file this application; |
| 2 | that the governing body or agrees that if a grant is awarded, the applicant will provide proper and timely submittal of all documentation requested by the Grantor Agency; |
| 3 | that the applicant has substantially complied with or will comply with all federal, state, and local laws, rules, regulations, and ordinances as applicable to this project; and |
| 4 | that as of the date listed below, the applicant is not listed on the Final Divestment List created by the State Treasurer pursuant to N.C.G.S. 143-6A-4. This list, along with additional information about the Iran Divestment Act, is available on the Treasurer’s Office site: <https://www.nctreasurer.com/inside-the-department/OpenGovernment/Pages/Iran-Divestment-Act-Resources.aspx>. |
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| **Signature of Chief Elected Official or Authorized Representative** |
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|       |  |       |
| **Typed Name** | **Typed Title** |
|  |       |  |
| **Date** |