Guide for Review of Eligibility and National Objectives: Economic Development Supplement			
Name of Program Participant:			
Staff Consulted:			
Name(s) of Reviewer(s)		**Date**	

NOTE: All questions that address requirements contain the citation for the source of the requirement (statute, regulation, NOFA, or grant agreement). If the requirement is not met, HUD must make a finding of noncompliance. All other questions (questions that do not contain the citation for the requirement) do not address requirements, but are included to assist the reviewer in understanding the participant's program more fully and/or to identify issues that, if not properly addressed, could result in deficient performance. Negative conclusions to these questions may result in a "concern" being raised, but not a **"finding.**"

Instructions: This Exhibit has been developed to assist the reviewer in monitoring additional requirements for economic development projects related to eligibility and national objectives, including the underwriting and Public Benefit Standards described in 24 CFR 570.482(e) and (f). It should be used in conjunction with Exhibit 4-1 (including the Exhibit 4-1 Review Worksheet which aids in documenting the review results). Exhibit 4-1 focuses on general eligibility and national objective considerations applicable to *all* projects.

The questions in Part A of this Exhibit do not address specific regulatory requirements, but are included to assist the reviewer in understanding the state's program more fully, and thus to assist the reviewer in assessing the state's performance in Parts B and C. Note: In addition to the regulatory and statutory citations governing eligibility, national objectives, underwriting guidelines and public benefit standards, the HUD reviewer has the discretion to cite 24 CFR 570.493(b) for Findings of Noncompliance related to the lack of documentation and 24 CFR 570.489(d) for Findings of Noncompliance related to missing or inadequate state administrative controls and procedures.

Questions:

A. OVERVIEW OF STATE'S ECONOMIC DEVELOPMENT PROGRAMS.

1.

Indicate what types of economic development activities the state funds.			
Funded? (Check all that apply.)	**Statutory/Regulatory Eligibility Citations**	**Activities Eligible under this provision**	**Types of Assistance that can be provided**
☐	HCD Act §105(a)(2)	Infrastructure, public facilities, public & private utilities	Grants; Direct Implementation of Activity by Local Government

Indicate what types of economic development activities the state funds.			
Funded? (Check all that apply.)	**Statutory/Regulatory Eligibility Citations**	**Activities Eligible under this provision**	**Types of Assistance that can be provided**
☐	HCDA §105(a)(4) and (a)(14)	Commercial/ Industrial Bldgs., or Other Real Property Improvements by the Recipient or public/private nonprofits	Grants, Loans, Loan Guarantees, Acquisition, Infrastructure/Public Facilities/Utilities, Construction/ Rehabilitation of Commercial/Industrial Buildings
☐	HCDA §105(a)(15)	Assistance to Non-profit organizations to carry out community-based economic development; employment support	Grants to Nonprofit; Nonprofit Provision of Grants, Loans, Loan Guarantees; Job Training, Transportation, Child Care, etc. for Employees
☐	HCDA §105(a)(17)	Assistance to private for-profit businesses; economic development services; employment support	Grants, Loans, Loan Guarantees, Outreach, Underwriting, Screening Applicants/ Training for Job Positions; Benefits, Transportation, Child Care, etc. for Employees
☐	HCDA §105(a)(22)	Microenterprise Development Activities	Loans, Grants, Technical Assistance, General Support for Microenterprise Owners or Developers
☐	HCDA §108(a), 24 CFR 570.703(i)(1) and (2)	Economic Development Projects Using Loan Guarantees	Section 108 Loan Guarantees
☐	Other Eligible Activities (explain below in Question 2)	Other Activities (explain below)	Other Forms of Support (explain below)

Indicate what types of economic development activities the state funds.			
Funded? (Check all that apply.)	**Statutory/Regulatory Eligibility Citations**	**Activities Eligible under this provision**	**Types of Assistance that can be provided**
Describe Basis for Conclusion:			

2.

Explain any other eligible activities the state funds, if applicable.
Describe Basis for Conclusion:

3.

Program Design: Indicate whether the state allows use of the following funding/financing techniques (check all that apply):
☐ Section 108 Loan Guarantees ☐ Float- funded activities or Interim project Financing ☐ Local economic development Revolving Loan Funds ☐ Economic Development grants funded out of a State Revolving Fund ☐ Economic Development activities as part of a local Community Revitalization Strategy
Describe Basis for Conclusion:

4.

Program Design: Briefly describe the types of assistance offered in terms of interest rate, loan amounts and/ or grant limits, and expected program outcomes and/or beneficiaries.
Describe Basis for Conclusion:

B. GUIDELINES FOR EVALUATING & SELECTING ECONOMIC DEVELOPMENT PROJECTS (UNDERWRITING GUIDELINES)

Instructions: As described in 24 CFR 570.482(e), HUD "expects" (but does not require) that states or units of general local government will conduct basic financial underwriting prior to providing financial assistance for economic development activities funded under HCDA sections 105(a)(14), (15) and (17). Similarly, 24 CFR 570.482(g) indicates that, if the scope or financial elements of an approved project change to the extent that a significant contract amendment is appropriate, the financial underwriting of economic development projects should be re-evaluated.

The following questions do not address specific regulatory requirements, but are included to assist the reviewer in understanding the state's program more fully and/or to identify issues that, if not properly addressed, could result in deficient performance. A Finding of Noncompliance regarding other program requirements may be made when:

- The state's documentation fails to comply with the Model Recordkeeping Requirements for States [as required by 24 CFR 570.490]; or
- The state's documentation is inadequate to demonstrate that funds were distributed in conformance with the state's Method of Distribution in its Consolidated Plan [as required by 24 CFR 91.320(g)(1)].

5.

Indicate what underwriting guidelines the states uses to evaluate relevant economic development activities eligible under the HCD Act at sections 105(a)(14), (15) and (17):
The state uses the HUD underwriting guidelines in Appendix A of 24 CFR Part 570.

- ☐ The state has developed its own underwriting guidelines, use of which is mandatory by local governments.
- ☐ The state allows local governments to develop and use their own underwriting guidelines.
- ☐ The state employs different underwriting criteria or review procedures depending on the type of assistance, project scope, or nature of the business.
- ☐ The state has no underwriting guidelines requirements.
- ☐ Other (Explain)_ _____

Describe Basis for Conclusion:

6.

a. If the state has underwriting guidelines per question 5 above, how does its underwriting process operate?

Describe Basis for Conclusion:

b. If the state follows an underwriting process, how does the process relate to the amount, type and terms of assistance provided by the state to fund economic development activities?

Describe Basis for Conclusion:

7.

a. When in the application/funding process are underwriting determinations made?
Describe Basis for Conclusion:

b. Who performs underwriting determinations?
Describe Basis for Conclusion:

8.

Who reviews determinations for reasonableness?
Describe Basis for Conclusion:

9.

Does the state have a process for adjusting the amount, type or terms of financial assistance for the project to ensure that it will still meet the state's underwriting guidelines?	☐ Yes	☐ No
Describe Basis for Conclusion:		

10.

How does the state document its underwriting determinations?
Describe Basis for Conclusion:

11.

Do the state's underwriting guidelines (if any) and application review procedures meet **all** of the following:_____	☐ Yes	☐ No	☐ N/A
☐ The state's underwriting expectations/requirements are clearly communicated to localities (including criteria regarding significant amendments)?			
☐ Some basic level of financial underwriting is performed at the state or local level, which is appropriate to the types of assistance, project scope and nature of businesses?			
☐ All applications (and amendments) are reviewed consistently by the state against underwriting guidelines, or the state reviews underwriting determinations made by applicant local governments.			
☐ Underwriting determinations for all applications (and amendments) are thoroughly documented in files?			
☐ Higher-level management reviews underwriting determinations by state staff?			
☐ The state has criteria and procedures for re-evaluating the underwriting of amended economic development projects, in situations where an amendment would constitute a substantial change to the scope or financial elements of the project?			
Describe Basis for Conclusion:			

12.

Is there any evidence of the following by the state:	☐ Yes	☐ No
☐ Higher-level management regularly reverses underwriting determinations by staff?		
☐ The activities, amounts, rates, terms, etc., in approved grants differ from what was in the application, but there's no documentation explaining when or why the changes occurred?		
☐ Activities are funded despite documented determinations that the		

activities don't meet the state's underwriting guidelines? ☐ Significant amendments to the scope or financial elements of projects are approved by the state without re-evaluating projects against underwriting guidelines? ☐ Significant amendments are approved despite documented determinations that the amended project doesn't meet the state's underwriting guidelines?	
Describe Basis for Conclusion:	

13.

Does the state have an adequate process to ensure that all funded activities comply with state or local underwriting guidelines? [24 CFR 570.482(e)]	☐ Yes ☐ No
Describe Basis for Conclusion:	

14.

Does the state consistently adhere to its process? (In the response below, include any weaknesses, if identified, in the state's underwriting guidelines that may form the basis for a "concern" or advisory guidance to state staff.)	☐ Yes ☐ No ☐ N/A
Describe Basis for Conclusion:	

C. PUBLIC BENEFIT STANDARDS (24 CFR 570.482(f), 570.482(g), and 570.490)

Instructions: Use this section of the Exhibit for activities that are reviewed for the *individual* and *aggregate* Public Benefit Standards accruing to CDBG-assisted economic development activities per 24 CFR 570.482(f) of the CDBG regulations. The Public Benefit Standards are applicable to economic development activities that are eligible for CDBG assistance under Sections 105(a)(14), (15) and (17) of the Act; to certain public facilities and improvements eligible under Section 105(a)(2) of the Act, which are undertaken for economic development purposes; and to Section 108-assisted economic development activities eligible under 24 CFR 570.703(i). The standards for evaluating public benefit are *mandatory*. This last part of the exhibit contains four worksheets to assist reviewers in documenting compliance with the Public Benefit Standards:

Worksheet 1: Individual activity worksheet for activities counted toward the *cost per job created/retained* standard;
Worksheet 2: Individual activity worksheet for activities counted toward the *cost per low/moderate income persons served* standard;
Worksheet 3: Aggregate worksheet for activities counted toward the *cost per job created/retained* standard; and
Worksheet 4: Aggregate worksheet for activities counted toward the *cost per low/moderate income persons* served standard.

Worksheet #'s 1 and 2 (at the end of this Exhibit) are to be completed, as applicable, after answering questions 17-21 below, to determine whether the activities funded by the state comply with the regulatory standards for individual activities. Worksheet #'s 3 and 4 (also at the end of this Exhibit) are to be completed, as applicable, after answering questions 22 –25, to determine whether the state's aggregate levels of public benefit comply with the regulatory standards.

Overall Compliance System

15.

Indicate what standards and procedures the states uses to evaluate relevant economic development activities for compliance with Public Benefit Standards (check all that apply):

- ☐ The state allows activities to demonstrate public benefit based on the CDBG cost per job.
- ☐ The state allows activities to demonstrate public benefit based on the CDBG cost per low/moderate income resident benefiting from projects providing goods & services to a residential area.
- ☐ The state uses the aggregate and individual-activity Public Benefit Standards in 24 CFR 570.482(f)(2) and (f)(4)(i) as its maximum assistance levels.
- ☐ The state sets maximum assistance levels below those required by HUD's standards. If so, describe the state's maximums:
- ☐ The state has established additional public benefit requirements beyond those required by HUD (e.g. quality-of-job considerations, benefits, livable wages, etc.). If so, describe:
- ☐ The state allows projects that meet the "important national interest" criteria to be exempted from the aggregate Public Benefit Standards [see 24 CFR 570.482(f)(3)(v)].
- ☐ The state funds public facilities activities that may be subject to the Public Benefit Standards [see 24 CFR 570.482(f)(1) and 570.483(b)(4)(vi)(F)(2)].
- ☐ The state's program design does not fund any activities which are subject to the Public Benefit Standards.
- ☐ The state has no established Public Benefit Standards or process for demonstrating compliance with the standards.
- ☐ Other (Explain)

Describe Basis for Conclusion:

16.

Do the state's overall Public Benefit Standards and application review procedures meet **all** of the following?	☐ Yes ☐ No
☐ The state has a process to identify/determine whether proposed activities are subject to the Public Benefit Standards. ☐ The state is correctly interpreting and applying the HUD Public Benefit Standards within its program. ☐ The state's Public Benefit Standards requirements are clearly communicated to localities (including criteria regarding significant amendments). ☐ The state reviews infrastructure economic development projects to determine whether they are subject to the Public Benefit Standards. ☐ The state's standards or eligibility provisions make clear that "insufficient public benefit" activities are not eligible for CDBG funding. [24 CFR 570.482(f)(4)(ii)] ☐ The state has criteria and procedures for re-evaluating the public benefit determinations for amended economic development projects, in situations where an amendment would constitute a substantial change to the scope or financial elements of the project.	
Describe Basis for Conclusion:	

Compliance With Individual Activity Standards

17.

a. How does the state review economic development activities to determine compliance with the individual activity Public Benefit Standards?
Describe Basis for Conclusion:

b. Who makes these determinations?
Describe Basis for Conclusion:

c. When in the application/funding process does this occur?
Describe Basis for Conclusion:

d. Who reviews determinations for reasonableness?
Describe Basis for Conclusion:

18.

How does the state document its public benefit standard compliance determinations?
Describe Basis for Conclusion:

19.

Do the state's standards and application review procedures provide for adjusting the amount, type or terms of financial assistance for proposed activities, to ensure that they will meet the Public Benefit Standards?	☐ Yes	☐ No
Describe Basis for Conclusion:		

20.

Do the state's standards and application review procedures meet **all** of the following? ☐ All applications (and significant amendments) are reviewed consistently by the state for compliance with the standards. ☐ Conclusive determinations of compliance with the individual activity standards are documented in files for all activities. ☐ Higher-level management reviews Public Benefit Standards determinations by staff. ☐ The state questions or disapproves applications (and amendments) where compliance with the Public Benefit Standards cannot be determined. ☐ The state has a process to verify whether the level of public benefit actually achieved by the completed activity matches the level of public benefit projected to be achieved at the time funds were obligated to the activities. ☐ The state takes action to improve the accuracy of its or its grant recipients' public benefit projections, if actual public benefit achievement consistently falls below projections. ☐ The state has procedures to take sanctions against localities for failure to comply with the Public Benefit Standards.	☐ Yes	☐ No
Describe Basis for Conclusion:		

21.

Do you find evidence of any of the following in the implementation of the state's procedures?	☐ Yes	☐ No
☐ Higher-level management regularly reverses staff-level public benefit determinations.		
☐ The state incorrectly categorizes activities as not being subject to the Public Benefit Standards.		
☐ Individual activities are being double-counted against more than one of the Public Benefit Standards.		
☐ Activities are funded despite documented determinations that the activities don't meet the individual activity standards.		
☐ Significant amendments to the scope or financial elements of projects are approved by the state without re-evaluating activities' compliance with the Public Benefit Standards.		
☐ Significant amendments are approved despite documented determinations that the amended project doesn't meet the Public Benefit Standards.		
☐ The state fails to take actions to improve the accuracy of its or its grant recipients' public benefit projections, where patterns of substantial variation exist between a grant recipient's public benefit projections and actual results.		
☐ The state fails to take sanctions against grant recipients, despite documented failure to comply with the Public Benefit Standards.		
Describe Basis for Conclusion:		

Compliance with Aggregate Standards

22.

What is the state's process for determining compliance with the aggregate Public Benefit Standards for each fiscal year's allocation of funds?
Describe Basis for Conclusion:

23.

How does the state document its aggregate public benefit standard compliance determinations?
Describe Basis for Conclusion:

24.

Do the state's standards and application review procedures meet **all** of the following?	☐ Yes	☐ No
☐ The state has a process to ensure that the aggregate Public Benefit Standards tests will be met for a given year's allocation of funds.		
☐ The state maintains data documenting that the projected aggregate public benefit complies with the aggregate standards for each fiscal year's allocation of funds.		
☐ The state has a process for communicating to grant recipients the situations in which projects can be excluded from the aggregate standards.		
☐ The state ensures that the exclusion-from-aggregate standards are applied consistently.		
☐ The state has a process for comparing the number of proposed jobs to the actual number of FTE jobs created/retained.		
☐ The state maintains data documenting compliance with the aggregate Public Benefit Standards for a given year's allocation of funds, based on actual public benefit achieved by activities.		
☐ In reviewing significant amendments to activities, the state verifies that the amended activity will still fit within the aggregate public benefit standard calculations.		
Describe Basis for Conclusion:		

25.

	Yes	No
Do you find evidence of any of the following in the implementation of the state's procedures? ☐ The state incorrectly categorizes activities as not being subject to the Public Benefit Standards. ☐ Individual activities are being double-counted against more than one of the Public Benefit Standards. ☐ The state is exempting activities from the aggregate standards that do not meet the "important national interest activities" exemption criteria. ☐ The state has knowingly funded activities which cause the state's aggregate benefit projections to exceed the HUD standards. ☐ The state has miscalculated its projected or actual public benefit figures. ☐ Patterns of substantial variation between the state's aggregate public benefit projections and actual results, and the state has taken no actions to improve the accuracy of its projections.	☐	☐
Describe Basis for Conclusion:		

Summary Determinations - Public Benefit Standards

26.

	Yes	No
Does the state have an adequate process to ensure that all funded activities under 105(a)(14), (15), and (17) of the HCDA, as well as public facilities under 105(a)(2) of the HCDA that are used for economic development, comply with Public Benefit Standards?	☐	☐
Describe Basis for Conclusion:		

27.

Does the state consistently adhere to its process?	☐ Yes ☐ No
Describe Basis for Conclusion:	

28.

Do the economic development activities you reviewed comply with the individual activity Public Benefit Standards? [24 CFR 570.482(f)(4) and 24 CFR 570.482(f)(5)]	☐ Yes ☐ No
Describe Basis for Conclusion:	

29.

For each fiscal year's allocation reviewed, do the state's economic development activities as a whole comply with the aggregate Public Benefit Standards? [24 CFR 570.482(f)(2) and 24 CFR 570.482(f)(3)]	☐ Yes ☐ No
Describe Basis for Conclusion:	

30.

Based upon your review, and if applicable, describe below any weaknesses you detected in the state's Public Benefit Standards procedures (which may form the basis for a "concern" or advisory guidance to state staff).
Describe Basis for Conclusion:

PUBLIC BENEFIT REVIEW WORKSHEET #1:
Individual Activity Standard: Job Creation/Retention

State:_____ Fiscal Year Examined: _____ Reviewer _____

(A) State Grant Recipient	(B) Activity Name	(C) Amount of CDBG assistance to activity	(D) Number of FTE Jobs	(E) Cost per Job (E) = (C)/(D)	(F) Standard Met?

Page _ _____ of _ ____

PUBLIC BENEFIT REVIEW WORKSHEET #2:
Individual Activity Standard: Low/Moderate Income Service Area

State:_____ Fiscal Year Examined: _____ Reviewer_____

(A) State Grant Recipient	(B) Activity Name	(C) Amount of CDBG assistance to activity	(D) Number of L/M Persons in Service Area	(E) Cost per L/M Person Served (E) = (C)/(D)	(F) Standard Met?

Page _____ of _____

Instructions for Filling Out the State CDBG Aggregate Public Benefit Review Worksheet #'s 3 and 4

Use these forms to determine whether the level of public benefit projected to be achieved by state-funded activities meets the two aggregate Public Benefit Standards.

1. Identify all activities eligible under sections 105(a)(14), (15), and (17) of the HCD Act which are subject to the Public Benefit Standards, along with public facilities activities which are both eligible under section 105(a)(2) of the HCD Act and subject to the Public Benefit Standards pursuant to 24 CFR §570.483(b)(4)(vi)(F)(*2*).

2. Any activity delivery costs relating to these activities must also be included. Do not include costs of other related economic development activities (such as land acquisition) which are eligible under other sections of the HCD Act.

3. The aggregate public benefit tests are applied to all applicable funding distributed pursuant to a given fiscal year allocation to the state. Use a separate worksheet for each year's allocation that you review. However, if a state awards additional funding to an activity from a subsequent year's allocation, include all funding for that activity on the worksheet for each grant year that funds were awarded. The years must be combined for the individual activity computation.

4. Include all applicable activities for a given year on one of the two worksheets, but include each activity on only one worksheet. A state may count activities toward either the job creation or the low/moderate income persons served public benefit standard, but not toward both. If an activity is indicated as counting toward both standards, ask the state to identify which one it should be counted under.

5. **For questions a. - g. on the job creation/retention worksheet**, use the funding levels and projected number of jobs at the time funds was initially obligated to activities.

6. **Complete questions i. - k. on the job creation/retention worksheet only** if all job creation/retention is considered to be complete by the state for all of the activities included in questions a. - f.

7. **For questions a. - g. on the low/moderate income persons served worksheet**, use the funding levels and projected numbers of residents to be served by activities at the time funds were initially obligated to activities.

8. **Complete questions i. - k. on the low/moderate income persons served worksheet only** if all business assistance activities included in questions a. - f. are considered by the state to be providing the goods or services expected to be provided.

PUBLIC BENEFIT REVIEW WORKSHEET #3:
Aggregate Standard: Job Creation/Retention

State:_____ Fiscal Year Examined:_____ Reviewer_____

a. Sum of CDBG funding for all activities counted toward job creation/retention standard (including program income & recaptured funds distributed in this year): $_____

b. Plus §108 guaranteed loan funds approved by HUD pursuant to the state's method of distribution for this year: $_____

c. Minus CDBG funding for "important national interest" activities which the state has excluded from the jobs aggregate standard: $_____

d. Equals CDBG funds attributable to the jobs aggregate standard: $_____

e. Sum of all FTE permanent jobs projected to be created/retained by activities included in (d): _____

f. Figure in (d) divided by figure in (e) equals projected aggregate CDBG cost per job: $_____

g. Is the figure in (f) less than or equal to $35,000 per job? ☐ yes ☐ no

h. Has all job creation/retention been completed for all activities included in (d)? ☐ yes ☐ no

i. If the answer to "h" above is "yes," sum all of the FTE permanent jobs actually created/retained by activities included in (d): _____

j. Figure in (d) divided by figure in (i) equals actual aggregate CDBG cost per job: $_____

k. Is the figure in (j) less than or equal to $35,000 CDBG per job? ☐ yes ☐ no

PUBLIC BENEFIT REVIEW WORKSHEET #4:
Aggregate Standard: Low/Moderate Income Service Area

State: _____ Fiscal Year Examined: _____ Reviewer _____

a. Sum of CDBG funding to all activities counted toward benefit to LMI persons standard (including program income & recaptured funds distributed in this year): $ _____

b. Plus §108 guaranteed loan funds approved by HUD pursuant to the state's method of distribution for this year: $ _____

c. Minus CDBG funding for "important national interest" activities which the state has excluded from the LMI persons served aggregate standard: $ _____

d. Equals CDBG funds attributable to the LMI persons served aggregate standard: $ _____

e. The sum of all LMI persons in areas in which goods/services were projected to be provided by business assistance activities included in (d): _____

f. Figure in (d) divided by figure in (e) equals projected aggregate CDBG cost per LMI person served: $ _____

g. Is the figure in (f) less than or equal to $350 per LMI person served? ☐ yes ☐ no

h. Have all business assistance activities included in (d) begun to provide goods/services to area residents? ☐ yes ☐ no

i. If "yes" to (h), sum of all LMI persons residing in areas actually being provided goods/services by business assistance activities included in (d): _____

j. Figure in (d) divided by figure in (i) equals actual aggregate CDBG cost per LMI person served: $ _____

k. Is (j) less than or equal to $350 per LMI person served? ☐ yes ☐ no