Department of Economic and Community Development

Connecticut
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COMMUNITY DEVELOPMENT BLOCK GRANT- DISASTER RECOVERY

(CDBG-DR)

ECONOMIC REVITALIZATION

EXP/Hurricane Sandy Business Disaster Relief Program
PROCEDURES AND GUIDELINES

(September 12, 2013)

Introduction

The EXP/Hurricane Sandy Disaster Relief Program provides financial assistance to small businesses adversely affected by Hurricane Sandy, using a streamlined application process to expedite the delivery of such assistance. The State of Connecticut Department of Economic and Community Development ("DECD") will administer this program. For the purpose of these guidelines $4,000,000 has allocated to Exp/Hurricane Sandy Disaster Relief Program.

I. Program Components

The financial assistance component to the EXP/Hurricane Sandy Disaster Relief Program:

- Matching Grant—to provide federal grant (CDBG-DR) funds to small businesses that will be matched by state grant funds.

The commissioner shall give priority for available funding to small businesses adversely affected by Hurricane Sandy.

Each eligible small business applicant receiving financial assistance under EXP/Hurricane Sandy Disaster Relief Program will be required to retain a certain number of full-time employees in Connecticut and maintain its contracted employment obligations for a period of twelve (12) consecutive months. If the employment obligation is not met, penalties shall apply.

II. Types of Assistance

A financial assistance package under EXP/Hurricane Sandy Disaster Relief Program will include the following:

- A matching grant only

Eligible applicants may request the assistance above, but may not combine two loans at once.

Approval of financial assistance on each application package is subject to:

- fulfillment of eligibility criteria of the applicant, the project, and the use of funds, and
- availability of EXP/Hurricane Sandy Disaster Relief Program funds.

As a condition to receiving EXP/Hurricane Sandy Disaster Relief Program assistance from DECD, a small business receiving such assistance shall not relocate, as defined in said CGS Sec. 32-5a, outside the State of Connecticut for five years after receiving such assistance or during the term of the loan, whichever is longer. Other conditions and penalties may apply as determined by the Commissioner of the DECD.

Note: Funding amounts are subject to DECD's review and approval

III. Eligibility Criteria—Applicants to EXP

An "eligible applicant" is any small business that meets all of the following criteria, as defined at CGS Sec. 32-7g, as amended by June 12 Special Session, 2012 and The Disaster Relief Appropriations Act also know as Public Law 113.2

- employ not more than 100 employees; and
- have operations in Connecticut and located in the following geographic areas:
    - Fairfield County
    - New Haven County
    - Middlesex County
    - New London County; and
    - The Mashantucket Pequot Indian Reservation
- was registered to conduct business in CT for not less than twelve months and registered to conduct business on or before October 29, 2012
- be in good standing with all state agencies; and
- be current regarding the payment of all state and local taxes.

IV. Eligible Criteria—Proposed Project Activities and Use of Funds Under EXP/Hurricane Sandy Disaster Relief Program

All eligible small business applicants requesting financial assistance through the program are assessed to determine if the proposed projects and use of the funds are consistent with overall program goals.

- **EXP/Hurricane Sandy Disaster Relief Matching Grant Program** —CGS Sec. 32-7g(f) and Federal Register Vol. 78, No. 43 page 14329
  Purpose: To provide grants for capital to small businesses meeting the eligibility criteria.
  Eligible use of funds: Matching grants may be used for:
  - ongoing or new training;
  - working capital;
  - acquisition or purchase of machinery and equipment;
  - construction or leasehold improvements;
  - relocation within the state; or
  - other business-related expenses authorized by the Commissioner of DECD and consistent with 24 CFR Part 570.3 thru 570.203.

  Minimum / Maximum allowable per each matching grant:
  $10,000/$50,000(determinations of funding award amounts are subject to DECD's due-diligence review and approval).
  Goal: Maintaining job growth and economic revitalization of small business in eligible counties.
  Priority: The commissioner shall prioritize funding awards for matching grants based upon job retention and use of funds.

  Note: If the contracted employment obligations are not met, then a partial repayment of the grant will be assessed as penalty for each job not retained and/or created.

V. Application Procedures to EXP

Eligible small businesses may apply for financial assistance by submitting an application form along with supporting documents via U.S. mail, fax, personal delivery, courier, or via e-mail. EXP/Hurricane Sandy Disaster Relief Program applications are available on DECD's website at www.decd@ct.gov or by contacting Toni Karnes at (860) 270-8139.

It is the goal of the DECD that applicants to the EXP/Hurricane Sandy Disaster Relief Program would be assessed for meeting eligibility of requirements of applicant, program goals, and use of funds within each program component; and processed in accordance with DECD procedures.

VI. DECD's Approval Process for EXP/Hurricane Sandy Disaster Relief Program

The EXP/Hurricane Sandy Disaster Relief Program uses a three-step approval process:

- **Step 1** review of the loan/grant application to determine project eligibility, applicant eligibility and appropriate use of funds;
- **Step 2** a financial due diligence evaluation by DECD; and
- **Step 3** DECD approval

Step 1—Eligibility Determination

In order to be considered eligible for funding under the EXP/Hurricane Sandy Disaster Relief Program, each application must satisfy the elements of the program, each application package must be complete, and the proposed use of the funds must be consistent with the goals of the program.

Assessing for Application Completeness

In order for an application package to be considered complete, it must contain the following:

- EXP/Hurricane Sandy Disaster Relief Program Application Form (with applicant certification)
- Ownership Information
- Business Plan (brief business history, current products/services, future plans, current and future employment levels, forecasted business trends)
- Full Project Description (time frame, proposed use of funds, estimated costs)
- Small Business Legal Structure Documents (e.g., Articles of Incorporation, Partnership Agreement, By-laws, Secretary of State Certificate of Legal Existence/Certificate of Good Standing, Notarized Trade Name Certificate)
- Project Financing Plan and Budget
- Last three years of historical financials. If not available, most recent three years of income tax returns.
- And all other documentation required by DECD.

Eligible applicants will be given an opportunity to provide clarification on sections of their respective application where information may be unclear or subject to interpretation.

Any applications that fail to meet the eligibility criteria, or applications that are deemed incomplete, will not be funded. Written notification will be sent to the applicant that may include suggestions for the applicant to follow if they wish to re-submit their application to the EXP/Hurricane Sandy Disaster Relief Program.

Note: Application review will not begin until a complete application is received.

Step 2—Financial Review and Evaluation Process

The DECD uses an internal standardized evaluation process to assess and evaluate information gathered during the due diligence process. This process includes review and analysis of the following:

- Small business applicant's risk/mitigation factors
- Employment (retention/creation of jobs)
- Eligible project and use of funds
- Availability of State and Federal Funds
- Performance/condition of the small business applicant
- Small business applicant's standing with state agencies and local and state taxes
- Financial assistance deal structure - protecting investment and return on investment
- Under the EXP/Hurricane Sandy Disaster Relief Program Revolving Loan Fund, the financial review process will look the applicant's cash flow to repay the loan, and secure funding (DECD will determine collateral requirements)

Step 3—DECD Decision Regarding Intent to Fund

Following completion of the financial review and due diligence evaluation process:

a) If it is determined the application is not eligible under the EXP/Hurricane Sandy Disaster Relief Program, if there is an ineligible proposed project and/or an ineligible use of funds, then a declination letter will be sent to the applicant.

b) If it is determined the applicant is an eligible applicant with an eligible project and an eligible use of funds, then DECD will send the applicant an acceptance package, which would include a letter of intent to fund the proposed project, an approved project financing plan and budget, along with a request for completion of the following:

- Certified Resolution Form
- Non-Discrimination Certification
- W-9 Taxpayer Identification Form
- Agency Vendor Form
- Electronic Funds Transfer Form
- Gift Affidavit
- Letters of Good Standing
  - Connecticut Department of Labor (DOL)
  - Connecticut Department of Revenue Service (DRS)
- Evidence of Match (if applicable)
- Evidence of Required Insurance Coverage
- Contact information for client's legal counsel

Upon agreement of the terms and conditions within the DECD's letter of intent to approve financial assistance to the eligible small business applicant for its proposed project, as well as execution of the letter of intent and the supporting documents, the eligible small business applicant will return the acceptance package to DECD.

NOTE: All eligible small business applicants agree to accept responsibility for the payment of all necessary and appropriate fees associated with its respective transaction, whether or not a closing takes place. Such costs may include reasonable attorney fees, appraisal costs, and other possible fees and costs

related to this including the closing costs associated with securing the State Financial Assistance. State funds may be used to pay fees and can be incorporated into the Project Financing Plan and Budget.

VII. Contract Phase—Assistance Agreement (AA)

Applicants approved for a loan and/or grant under the EXP/Hurricane Sandy Disaster Relief Program will be required to execute an assistance agreement with the State of Connecticut Department of Economic and Community Development ("DECD", and "Department"). Once the approved applicant accepts a letter of intent package and it is received by the Department, the DECD project manager will forward all documentation to outside counsel. The AA executed between DECD and the small business funded through EXP will include reporting requirements, a payment schedule, and the required employment retention and new job creation obligations associated with the funded project.

Once the contract has been executed by all parties the DECD will, with the authorization of the applicant, publish a press release.

VIII. Payment Phase—Payment Requisition

Financial assistance provided under the EXP/Hurricane Sandy Disaster Relief Program shall be transmitted electronically upon receipt from the approved eligible small business applicant: (1) verification of legal fees paid and (2) payment requisition on forms approved by the Commissioner of DECD and is subject to the availability of funds.