

CHAPTER THIRTEEN

ECONOMIC DEVELOPMENT REQUIREMENTS
MONITORING AND COMPLIANCE REVIEW

General Instructions to Monitoring Staff:

This review should be conducted “on-site” through review of grantee policies and procedures, review of general files, examination of loan case files selected at random by the Reviewer, inspection of project sites, and interviews of key staff and business persons and/or beneficiaries. The issues and concerns identified in this on-site review of the grantee’s economic development activities should be noted on the Economic Development Requirements – Summary Page for Monitoring and Compliance Review found at the end of this chapter.

A. GENERAL INFORMATION

Date(s) of On-Site Review: _____

Grantee/Project Name: _____

Program Year: _____

Grant #: _____

Grant Term: _____

Name(s) and address(es) of Business(s) receiving assistance (as applicable):

Local Staff (and, as applicable, Business Persons and/or Beneficiaries) Interviewed:

Name:

Title:

Location:

Date of Interview:

Telephone #/e-mail:

B. ISSUES FROM GENERAL PROJECT INFORMATION SUMMARY: *Note: Please refer to Section D of the General Project Information Summary (Chapter One). Any issues that emerged from the completion of Chapter One should be noted below and addressed through interviews with the local project staff and/or on-site file reviews. These issues can be addressed at the beginning of the monitoring visit, or at whatever point in the monitoring visit the Reviewer feels is appropriate.*

Issues for On-Site Follow-Up

Related Questions/Citations

Staff Response and/or Resolution

Additional Instructions to Monitoring Staff:

ECONOMIC DEVELOPMENT

Grantees have designed their economic development and commercial revitalization projects to meet local needs, as well as to satisfy Maryland CDBG Program guidelines and project selection criteria. One focus of the Maryland CDBG Program monitoring and compliance review relative to such economic development activities is to ensure that the grantee is implementing the project as approved, and is making substantial progress according to the work program and schedule contained in the grant application and Grant Agreement. Furthermore, DHCD staff must be assured that grant funds are being used to leverage private and grantee and other public funds, and in compliance with all applicable rules and regulations.

Among the principal objectives for economic development and commercial revitalization projects under the Maryland CDBG Program are the following:

1. **Job Creation/Retention** - Increase the number of jobs, especially for low and moderate income persons, that can support a household and have advancement potential.
2. **Economic Development** - Promote economic recovery in small communities heavily dependent on a single industry and emphasize development in underdeveloped rural areas. Support the development of the State's small businesses, especially those owned by minorities. Encourage industry that exports goods or services outside the State. Leverage private and other funds and, where possible, stimulate additional economic development.
3. **Commercial Revitalization** – Promote as part of a comprehensive development strategy the rehabilitation of commercial and mixed-use buildings located in concentrated commercial areas. Increase the economic vitality and physical attractiveness of downtowns and other concentrated commercial areas. Eliminate slums and blight.

Projects involving business loans must be justified on the basis that the project could not proceed “but for” the CDBG funds. Grant funds must be leveraged by private dollars.

In instances of direct assistance to private for-profit entities, Maryland CDBG Program funds will be used in the most effective way possible to satisfy the Federal requirements for underwriting and public benefit (**per 24 CFR 570.482(e) and (f)**). In addition, every effort will be made to ensure that projects funded will:

- Be successful and profitable;
- Meet the National Objective of benefiting low and moderate income people through job creation or retention;
- Meet the needs of the community; and
- Eliminate slums and blight.

IN-HOUSE REVIEW

In preparing for the on-site monitoring, the DHCD staff will review the grantee's proposed project with particular attention to the following:

- Grantee's objectives that the project is intended to meet;
- Nature of approved project activities;
- Participating parties and the relationships among them;
- Activities to be funded by other public entities;
- Method(s) of financing activities;
- Payback method; amount, timing, and reuse of project income, as applicable;
- Form and amount of anticipated private leveraging; and
- Project implementation schedule.

ON-SITE REVIEW

The objective of the on-site monitoring and compliance review is to determine the effectiveness of the grantee's project administration and the level of progress toward objectives that has been achieved. DHCD staff monitoring efforts should focus on key performance indicators including: status of legally binding commitments; status of construction; draw down amount; ratio of CDBG funds expended to private expenditure; and project accomplishments (e.g., jobs created or retained, etc.).

Typically, the Reviewer will conduct the following activities during the on-site review:

- Review economic development/commercial revitalization files.
- Interview grantee staff and/or for-profit entity regarding project status.
- Review data maintained on jobs created and/or retained regarding: (a) actual number of jobs affected; (b) percentage of jobs taken or retained by low and moderate income persons; and (c) data on family size and income of those employed.
- Make site inspections to: (a) determine actual amount of work completed; and (b) ensure that economic development/commercial revitalization activities are taking place in the approved project area.

All issues identified during the on-site review of the grantee's project should be noted on the [Economic Development – Summary Page for Monitoring and Compliance Review](#) found at the end of this chapter of the Handbook.

[Note: The checklist that follows has columns that the Reviewer can use to assess both overall project compliance and progress, and the performance of individual loans, grants or other discrete economic development activities.]

PROJECT DESCRIPTION: Please provide a brief description of the project being monitored, based on the approved application, Grant Agreement and any amendments. The Reviewer can determine how much detail is useful to provide in this section, but typically the description should specify the project location(s), nature of activities being funded, amount of total funding and allocation among activities, and specific goals. (The Reviewer can use the General Project Information Summary forms in Chapter One to obtain much of this information.)

C. ECONOMIC DEVELOPMENT REQUIREMENTS

<p style="text-align: center;">ECONOMIC DEVELOPMENT CHECKLIST (see 24 CFR 570.482 and 570.483)</p>	<p style="text-align: center;">Documentation Indicates General Program Practice Consistent with Policies & Regulations?</p>	<p style="text-align: center;">Sample Loan/Case # _____</p>	<p style="text-align: center;">Comments and Description of Documentation or Issues:</p>
<p>1. Project Commencement: Did commencement of the project occur on or after the effective date(s) of the Grant Agreement and DHCD’s approval of the Request for Release of Funds?</p> <p><i>See also Chapter Two – Environmental Review</i></p>	<p style="text-align: center;">Yes No</p>		
<p>2. Project Consistent with Approved Project Design?: Are the project and its component activities being implemented consistent with the approved grant application and the project description in Exhibit A of the Grant Agreement?</p> <p>2.1 If “No”, and the changes meet the threshold for formal amendments specified in Section 6c of the Grant Agreement, did the grantee seek a formal amendment?</p>	<p style="text-align: center;">Yes No</p>	<p style="text-align: center;">Yes No</p>	

<p style="text-align: center;">ECONOMIC DEVELOPMENT CHECKLIST (see 24 CFR 570.482 and 570.483)</p>	<p style="text-align: center;">Documentation Indicates General Program Practice Consistent with Policies & Regulations?</p>	<p style="text-align: center;">Sample Loan/Case # _____</p>	<p style="text-align: center;">Comments and Description of Documentation or Issues:</p>
<p>3. Project Activities Consistent with Economic Development Goals?: Does the economic development project consist of activities that address one or more of the six Maryland CDBG economic development criteria, i.e.:</p> <ul style="list-style-type: none"> - Creates or retains jobs for low and moderate income persons; - Prevents or eliminates slums and blight; - Meets urgent needs; - Creates or retains businesses owned by community residents; - Assists businesses that provide goods and services needed by and affordable to low and moderate income residents; or - Provides technical assistance to promote any of these criteria? 	<p style="text-align: center;">Yes No</p>		
<p>4. Program Partners: Are any for-profit or non-profit organizations involved in the project activities?</p> <p>4.1 If “Yes”, are these the same organizations identified in the grantee’s application for Maryland CDBG Program funding and/or specified in Exhibit A of the Grant Agreement?</p> <p>4.2 If “No”, will these changes have a negative impact on the grantee’s ability to meet its projected objectives or cause program delays?</p>	<p style="text-align: center;">Yes No</p> <p style="text-align: center;">Yes No</p> <p style="text-align: center;">Yes No</p>	<p style="text-align: center;">Yes No</p> <p style="text-align: center;">Yes No</p> <p style="text-align: center;">Yes No</p>	

<p style="text-align: center;">ECONOMIC DEVELOPMENT CHECKLIST (see 24 CFR 570.482 and 570.483)</p>	<p style="text-align: center;">Documentation Indicates General Program Practice Consistent with Policies & Regulations?</p>	<p style="text-align: center;">Sample Loan/Case # _____</p>	<p style="text-align: center;">Comments and Description of Documentation or Issues:</p>
<p>5. Loan/case Files: For individual cases/loans, does the project file contain (as applicable):</p> <p>5.1. Application for a loan from non-profit and/or for-profit firms?</p> <p>5.2. Documentation of underwriting conducted by the grantee? <i>(see 24 CFR 570.482(e))</i></p> <p>5.3. Evidence of the loan committee decision?</p> <p>5.4. A loan agreement identifying:</p> <ul style="list-style-type: none"> - Terms of the loan and interest rate? - Repayment, recapture, and default mechanisms? - Number of jobs to be retained and/or created? - Davis-Bacon and other appropriate compliance provisions? - Time of performance? <p>5.5. Evidence of certified employee income?</p> <p>See 24 CFR 570.506</p>	<p>Yes No</p>	<p>Yes No</p>	
<p>6. Actual vs. Approved Use of Loan Funds: Did the loan/grant recipient use the assistance as described in the lending documents and by the local project guidelines (e.g., did the expansion occur, was the new machinery actually put into place, etc.)?</p>	<p>Yes No</p>	<p>Yes No</p>	
<p>7. Grantee Monitoring: Is there evidence that the grantee is monitoring and enforcing the terms of the loan agreements?</p> <p>See Section 15 of Grant Agreement</p>	<p>Yes No</p>	<p>Yes No</p>	

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<p>7. Leveraging of Other Resources: If the project (or loan) was expected to leverage other private or public investment:</p> <p>7.1 What is the amount of private investment to date?</p> <p>7.2 What is the amount of non-CDBG public investment to date?</p> <p>7.3 Have all sources of funds, and particular required equity, committed in the grant (or loan) application actually been secured?</p> <p><i>See Exhibit B of Grant Agreement</i></p>	<p style="text-align: center;">Yes No</p> <p style="text-align: center;">Yes No</p> <p style="text-align: center;">Yes No</p>	<p style="text-align: center;">Yes No</p> <p style="text-align: center;">Yes No</p> <p style="text-align: center;">Yes No</p>	
<p>8. Tracking of Private Investment: How does the grantee document and track private investment?</p>	<p style="text-align: center;">Yes No</p>	<p style="text-align: center;">Yes No</p>	
<p>9. Third Party Information: How does the grantee verify performance information submitted by third parties?</p>	<p style="text-align: center;">Yes No</p>	<p style="text-align: center;">Yes No</p>	
<p>10. Site Inspection: Does a site inspection by the Reviewer confirm the information supplied by the grantee, developer, business owner and/or any other third party?</p>	<p style="text-align: center;">Yes No</p>	<p style="text-align: center;">Yes No</p>	
<p>11. Loan Servicing: Are repayments being made (if applicable) as scheduled?</p>	<p style="text-align: center;">Yes No</p>	<p style="text-align: center;">Yes No</p>	<p>If "No", what actions does the grantee take if a loan repayment is late or in default?</p>

<p style="text-align: center;">ECONOMIC DEVELOPMENT CHECKLIST</p> <p style="text-align: center;">(see 24 CFR 570.482 and 570.483)</p>	<p style="text-align: center;">Documentation Indicates General Program Practice Consistent with Policies & Regulations?</p>	<p style="text-align: center;">Sample Loan/Case #</p> <p style="text-align: center;">_____</p>	<p style="text-align: center;">Comments and Description of Documentation or Issues:</p>
<p>12 Use of loan repayments: Does documentation identify the amount and use of loan repayments by the grantee?</p> <p><i>See the discussion of Program Income in Chapter Four – Financial Management and Section 8 of Grant Agreement.</i></p>	<p style="text-align: center;">Yes No</p>	<p style="text-align: center;">Yes No</p>	
SATISFACTION OF NATIONAL OBJECTIVE			
<p>13 National Objective(s): Which National Objective does the project seek to satisfy?</p> <p style="margin-left: 40px;">Benefit to LMI Persons: <input type="checkbox"/></p> <p style="margin-left: 40px;">Prevention/Elimination of Slums/Blight: <input type="checkbox"/></p> <p style="margin-left: 40px;">Urgent Need: <input type="checkbox"/></p> <p>Given the nature of the activities being undertaken, does this approach to satisfying the National Objective appear reasonable?</p>			
<p>14 LMI Benefit Proposed: If LMI Benefit has been proposed:</p> <p>Which LMI Benefit category applies to the project?</p> <p style="margin-left: 40px;">Limited clientele <input type="checkbox"/></p> <p style="margin-left: 40px;">Job creation/retention: <input type="checkbox"/> (Circle as applicable: # jobs created and/or # jobs retained)</p> <p style="margin-left: 40px;">Areawide benefit <input type="checkbox"/> (Circle one: 51% basis or 70% census tract basis)</p>			
<p>15 Percent of funds for LMI: What percentage of the grantee’s Maryland CDBG Program funds will benefit principally low and moderate income families and individuals?</p>	<p style="text-align: center;">_____ %</p>	<p style="text-align: center;">_____ %</p>	

<p style="text-align: center;">ECONOMIC DEVELOPMENT CHECKLIST</p> <p style="text-align: center;">(see 24 CFR 570.482 and 570.483)</p>	<p style="text-align: center;">Documentation Indicates General Program Practice Consistent with Policies & Regulations?</p>	<p style="text-align: center;">Sample Loan/Case #</p> <p style="text-align: center;">_____</p>	<p style="text-align: center;">Comments and Description of Documentation or Issues:</p>
LMI – LIMITED CLIENTELE			
<p>16 Actual Persons Benefiting: What is the actual number of people benefiting from the activity to date?</p>	_____	_____	
<p>17 Income Documentation: Is there adequate documentation showing that 51% of the clientele to date were LMI persons?</p>	Yes No	Yes No	Describe documentation supporting this conclusion:
LMI – JOB CREATION (see Section 10 of Grant Agreement)			
<p>18 Planned Job Creation: How many new permanent jobs were expected to be created with the grant (or with the loan)?</p>	_____	_____	
<p>19 Actual Job Creation: What is the actual number of jobs created to date with the grant (or with the loan)?</p>	_____	_____	
<p>20 Job Listings: Is there a listing, by job title, race ethnicity, gender and handicapped status of the permanent jobs actually created?</p>	Yes No	Yes No	
<p>21 Determination of LMI: What job standard was actually used to determine LMI status?</p> <p>Taken by: <input type="checkbox"/></p> <p>Available to: <input type="checkbox"/></p> <p>Both: <input type="checkbox"/></p>			
<p>22 Documentation of LMI Benefit: Was documentation available specifying which of the created jobs were actually taken by or made available to LMI persons?</p>	Yes No	Yes No	

<p style="text-align: center;">ECONOMIC DEVELOPMENT CHECKLIST (see 24 CFR 570.482 and 570.483)</p>	<p style="text-align: center;">Documentation Indicates General Program Practice Consistent with Policies & Regulations?</p>	<p style="text-align: center;">Sample Loan/Case # _____</p>	<p style="text-align: center;">Comments and Description of Documentation or Issues:</p>
<p>23 Evidence of First Consideration Provided to LMI Persons: If “made available to” was used, was there a description of how the first consideration was given to LMI persons for those jobs?</p> <p>Did the description include:</p> <p>23.1 The hiring process?</p> <p>23.2 The number of LMI persons interviewed and/or hired?</p> <p>23.3 How the LMI status of the persons interviewed was determined?</p>	<p style="text-align: center;">Yes No</p> <p style="text-align: center;">Yes No</p> <p style="text-align: center;">Yes No</p> <p style="text-align: center;">Yes No</p>	<p style="text-align: center;">Yes No</p> <p style="text-align: center;">Yes No</p> <p style="text-align: center;">Yes No</p> <p style="text-align: center;">Yes No</p>	
<p>24 Actual LMI Persons Benefiting: How many jobs for low and moderate income persons have been created to date by the grant (or the loan)?</p>	<p style="text-align: center;">_____</p>	<p style="text-align: center;">_____</p>	
<p>25 Achievement of Job Creation Targets: Does it appear that the grantee (or the loan recipient) will be able to meet its job creation targets?</p>	<p style="text-align: center;">Yes No</p>	<p style="text-align: center;">Yes No</p>	
<p>26 Activities Supporting Accessibility to Employment: Were jobs that were created made accessible through job training or other mechanisms funded with CDBG or leveraged funds?</p>	<p style="text-align: center;">Yes No</p>	<p style="text-align: center;">Yes No</p>	
<p>LMI – JOB RETENTION (see Section 10 of Grant Agreement)</p>			
<p>27 Planned Job Retention: How many jobs did the grantee (or loan recipient) indicate would be retained for persons of low or moderate income?</p>	<p style="text-align: center;">_____</p>	<p style="text-align: center;">_____</p>	
<p>28 Actual Jobs Retained: What is the actual number of jobs retained for low and moderate income persons to date?</p> <p>Did the grantee adequately document that these jobs would have been lost “but for” the CDBG assistance provided?</p>	<p style="text-align: center;">_____</p> <p style="text-align: center;">Yes No</p>	<p style="text-align: center;">_____</p> <p style="text-align: center;">Yes No</p>	

<p style="text-align: center;">ECONOMIC DEVELOPMENT CHECKLIST (see 24 CFR 570.482 and 570.483)</p>	<p style="text-align: center;">Documentation Indicates General Program Practice Consistent with Policies & Regulations?</p>	<p style="text-align: center;">Sample Loan/Case # _____</p>	<p style="text-align: center;">Comments and Description of Documentation or Issues:</p>
<p>29 Job Turnover: If retained jobs were made available to LMI persons by turnover:</p> <p>29.1 Was there a listing of each job turned over and taken by or available to LMI persons?</p> <p>29.2 Was there a description of how job skills were considered and first consideration given to LMI persons?</p> <p>29.3 Was there a listing by job title, race, ethnicity, gender and handicapped status, of permanent jobs actually taken by LMI persons?</p> <p>29.4 Was there a description of how the LMI status of those hired was determined?</p>	<p style="text-align: center;">Yes No</p> <p style="text-align: center;">Yes No</p> <p style="text-align: center;">Yes No</p> <p style="text-align: center;">Yes No</p>	<p style="text-align: center;">Yes No</p> <p style="text-align: center;">Yes No</p> <p style="text-align: center;">Yes No</p> <p style="text-align: center;">Yes No</p>	
<p>30 Achievement of Job Retention Targets: Does it appear that the grantee (or the loan recipient) will meet its target for the number of jobs retained for low and moderate income persons?</p>	<p style="text-align: center;">Yes No</p>	<p style="text-align: center;">Yes No</p>	
<p>LMI – AREA-WIDE BENEFIT</p>			
<p>31 Documentation of LMI Area-wide Benefit: Do the project files contain adequate documentation to support a conclusion that the project meets the standards of area-wide LMI benefit?</p>	<p style="text-align: center;">Yes No</p>	<p style="text-align: center;">Yes No</p>	<p>Briefly describe documentation:</p>
<p>PREVENTION OR ELIMINATION OF SLUMS OR BLIGHT</p>			
<p>32 Area-Wide Basis: If prevention or elimination of slums & blight on an area-wide basis was proposed:</p> <p>Did the implemented activity actually mitigate one or more of the conditions contributing to the deterioration of the area?</p>	<p style="text-align: center;">Yes No</p>	<p style="text-align: center;">Yes No</p>	
<p>33 Spot Basis: If prevention or elimination of slums & blight on a spot basis was proposed:</p> <p>Did the funded activity actually mitigate the specific conditions of deterioration or decay in the target property or site?</p>	<p style="text-align: center;">Yes No</p>	<p style="text-align: center;">Yes No</p>	

<p style="text-align: center;">ECONOMIC DEVELOPMENT CHECKLIST</p> <p style="text-align: center;">(see 24 CFR 570.482 and 570.483)</p>	<p style="text-align: center;">Documentation Indicates General Program Practice Consistent with Policies & Regulations?</p>	<p style="text-align: center;">Sample Loan/Case #</p> <p style="text-align: center;">_____</p>	<p style="text-align: center;">Comments and Description of Documentation or Issues:</p>
URGENT COMMUNITY NEED			
<p>34 Urgent Need Addressed: Did the funded activity alleviate the conditions that were posing a serious and immediate threat to the health or welfare of the community?</p>	<p style="text-align: center;">Yes No</p>	<p style="text-align: center;">Yes No</p>	
SUMMARY AND CONCLUSIONS FROM ASSESSMENT			
<p>35 Program Records and Supporting Documentation: Is the source documentation in the files adequate to assess compliance with economic development requirements?</p> <p>35.1 Are these records sufficient to provide all required reporting, including (as applicable) the Semi-Annual Report for CDBG-Funded RLF Grants?</p> <p><i>See Chapter Three – General Project Management and Record-keeping</i></p>	<p style="text-align: center;">Yes No</p> <p style="text-align: center;">Yes No</p>	<p style="text-align: center;">Yes No</p> <p style="text-align: center;">Yes No</p>	
<p>36 Eligibility of Activities: Does the evidence available during the review support the conclusion that the activities that are being/were conducted with funds from the grant (or loan) fall within a category of eligible activities, <i>per 24 CFR 570.482</i>?</p>	<p style="text-align: center;">Yes No</p>	<p style="text-align: center;">Yes No</p>	
<p>37 Satisfactory Progress:</p> <ul style="list-style-type: none"> ▪ Is the progress of the grantee consistent with the Implementation Schedule in Exhibit C of the Grant Agreement? ▪ Is the grantee's spending to date consistent with Exhibits B and C of the Grant Agreement? ▪ Overall, does the grantee appear to be making adequate progress toward meeting its project objectives? <p><i>See Section 7 of the Grant Agreement</i></p>	<p style="text-align: center;">Yes No</p> <p style="text-align: center;">Yes No</p> <p style="text-align: center;">Yes No</p>		

<p style="text-align: center;">ECONOMIC DEVELOPMENT CHECKLIST (see 24 CFR 570.482 and 570.483)</p>	<p style="text-align: center;">Documentation Indicates General Program Practice Consistent with Policies & Regulations?</p>	<p style="text-align: center;">Sample Loan/Case # _____</p>	<p style="text-align: center;">Comments and Description of Documentation or Issues:</p>
<p>38 Actual Public Benefit Achieved: Has the public benefit described in the grant (or loan) application been realized, or can be expected to be realized by the end of the current grant term?</p> <p>Will the public benefit achieved by the grant (or loan) by the end of the grant term meet the aggregate (or individual activity) standards found in 24 CFR 570.482 (f)?</p>	<p style="text-align: center;">Yes No</p> <p style="text-align: center;">Yes No</p>	<p style="text-align: center;">Yes No</p> <p style="text-align: center;">Yes No</p>	

ECONOMIC DEVELOPMENT REQUIREMENTS

SUMMARY PAGE FOR MONITORING AND COMPLIANCE REVIEW

Instructions to Monitoring Staff:

In the space below, please note any issues arising from the review. For any concerns of findings identified during the review, provide amplification as necessary, and specify corrective actions the grantee must take to resolve the issue(s). Describe the nature of any technical assistance provided during the review. List any follow-up action for the DHCD staff and/or the grantee, and the dates by which such actions must be taken.

Issues/Concerns/Findings (and Relevant Citations):

Necessary Action Steps and/or Resolution (and Deadlines):

Based on the evidence reviewed, has the grantee complied with appropriate Economic Development requirements? Yes No

Maryland DHCD Staff Conducting Review: _____

Date Review Completed: _____