Program Guidelines

Glossary of Terms

Applicant Business: Small business that submits an application for the RLSB program.

Awarded Business: Small business that meets all RLSB program eligibility requirements, as defined herein, and is a recipient of RLSB program funds.

Community Development Block Grant-Disaster Recovery (CDBG-DR): Assistance from HUD to help the State recover from presidentially declared disasters, especially in low-income areas, subject to availability of supplemental appropriations.

Cooperative Endeavor Agreement (CEA): The written contract between OCD-DRU and the Subrecipient.

Duplication of Benefits: Financial assistance received from another source that is provided for the same purpose as the CBDG-DR funds.

Low to Moderate Income Job: a job is considered to be made available to or held by a person of low or moderate income if the annual salary or wages paid are at or below 80 percent of an area's median household **income for one person**. All income is based on the area median income limits set annually by HUD for each for each parish or metropolitan statistical area.

Microenterprise: A commercial enterprise that has five or fewer employees, one or more of whom owns the enterprise.

National Flood Insurance Program: Program managed by the Federal Emergency Management Administration that offers flood insurance to homeowners, renters and business owners if their community participates in the NFIP.

Notice Of Funding Availability: Solicitation for grant applications from qualified lenders to participate as Subrecipients in the RLSB program.

Office of Community Development Disaster Recovery Unit: A Louisiana governmental agency of the Division of Administration, created to administer Disaster Recovery Community Development Block Grant funds that are allocated by HUD to the State of Louisiana.

Respondent: A lending organization that provides an Application in response to the Notice of Funding Availability.

Restore Louisiana Small Business Program: Loan program established to provide assistance to small businesses located in areas adversely affected by the storms and flooding events of 2016 in

Louisiana.

Revolving Loan Fund: A restricted account that each Subrecipient will place principal and interest payments collected from awarded businesses. The Subrecipient must disburse these funds according to program policies and procedures.

Sage CRM: Customer relationship management system used to track loan applications submitted to Subrecipients for the RLSB program.

Subrecipient: A governmental agency or non-profit organization that OCD-DRU engages to implement the RLSB program. Subrecipients may also be referred to as the lenders of the program.

U.S. Small Business Administration: A federal agency that provides support and disaster loans to small businesses.

U.S. Department of Housing and Urban Development: Administering agency for the Community Development Block Grant-Disaster Recovery program funds that are available to the State from an appropriation by the United States Congress and are funding this program.

Program Description

The Office of Community Development, Disaster Recovery Unit (OCD-DRU) has worked with the Louisiana Department of Economic Development (LED) and other federal, state and local economic development partners to create the Restore Louisiana Small Business Program (RLSB) to provide assistance to small businesses located in areas adversely affected by the 2016 Severe Storms and Flooding Events. OCD-DRU will provide program assistance to eligible businesses and/or non-profit organizations through participating non-profit lenders, credit union and/or community development financial institutions (Subrecipients) who will implement and administer a lending program to assist impacted businesses and non-profits.

Total funding available for the RLSB is $51.2 million for loans and costs to implement the program by selected Subrecipients. This program is funded through the Community Development Block Grant Disaster Recovery Program (CDBG-DR) from the U.S. Department of Housing and Urban Development as eligible under Section 105(a)(15) or 105(a) 17 of the Housing and Community Development Act of 1974 (HCDA).

The activities will meet the national objectives of benefitting persons of low to moderate income or urgent need.

Subrecipient Eligibility

Subrecipients must qualify as a quasi-public or non-profit organization established under Section 501 of the Internal Revenue Code of 1986 (the "Code"), as amended, or a for-profit organization that is certified by the U.S. Department of Treasury as a Community Development Financial Institution or a Community-Based Development Organization as defined by HUD. Insured and active credit unions are also eligible to participate, provided they can demonstrate their ability to comply and issue loans according to program policies and procedures.

Eligible Subrecipients will be those organizations that have expertise in lending and at the time of application are actively lending to small businesses in Louisiana. OCD-DRU will give preference to those organizations that have experience working with small businesses that have difficulty securing loans from traditional lending sources. Preference may also be given to those organizations that have the ability to serve multiple eligible parishes.

An organization must meet the following criteria for selection as a program Subrecipient and must comply with the terms of these Guidelines:

- It has a viable track record delivering loans to small businesses;
- It employs policies and practices consistent with the purpose and requirements of the program;
- It can demonstrate that it has the institutional capacity to implement and deliver the program effectively through the use of predominantly in-house staff and internal competencies;
- It is not established as a religious or political organization; and
- It has an established office in Louisiana.

OCD-DRU will review and designate Respondent Subrecipients for eligibility under HCDA Section 105(a) 15, as per the policy and procedure detailed in the "OCD-DRU Procedures for Designating a Subrecipient or Subgrantee to Carry Out Eligible Activities Described Under HCDA Section 105(a) 15." Respondent Subrecipients may not be eligible under the program if OCD-DRU cannot designate them under HCDA 105(a) 15. However, should the state choose to engage the Subrecipient without designating them under HCDA 105(a)15, loans will meet the eligible activity of HCDA 105(a)17 and loan repayments generated by those awarded businesses shall be considered program income. Program income generated under this program may be required to return to the state or OCD-DRU may authorize Subrecipients to expend program income on other CDBG-DR eligible activities, subject to approval by OCD-DRU in its sole discretion.

Program Documents/Manuals

OCD-DRU shall prepare a comprehensive program manual including program documentation guidelines, monitoring requirements and other documents necessary to the implementation of the program, which OCD-DRU will provide to each approved Subrecipient. Subrecipients will use the information and guidelines contained within the program manual to implement and administer the program. OCD-DRU will monitor its Subrecipients for compliance with the program guidelines detailed within the program manual, guidelines and documents. Should OCD-DRU update or amend the program policies and procedures, Subrecipients will receive the updated documents and technical assistance to ensure they understand the revised program policies and procedures.

Program Outreach

Businesses will be able to obtain information about program timing and participation at OCD-DRU's website (restore.la.gov). OCD-DRU and Subrecipients will undertake program outreach to encourage impacted businesses to apply to the program, as per the program outreach plan. Some components of the plan include:

- OCD-DRU will advertise the program in multiple media outlets and will contact local chambers of commerce to notify them of program availability.
- Subrecipients will conduct local outreach to ensure businesses in their parishes are aware of the program.
- Businesses may also obtain information about the program online and from each Subrecipient location.

Program Administration: OCD-DRU and Subrecipients

- OCD-DRU will advertise a Notice of Funding Availability for potential Subrecipients (Respondents) to apply to administer the RLSB.
- A committee comprised of OCD-DRU staff and potentially other state agency and/or stakeholder agency staff will review, score and select Subrecipients from the pool of Respondents.
- Awarded Subrecipients will be responsible for applicant intake, selection, review, lending activities, loan collections processes and all other program implementation duties specified by OCD-DRU.
- Subrecipients will host one or more intake centers throughout their designated service areas to ensure business owners have convenient access to the program. OCD-DRU will provide the program guidelines, templates and checklists for providing program information to applicant businesses, for processing applications, issuing award or denial letters, loan documents, and all other official program correspondence or documentation.
- Subrecipients will make referrals for eligible businesses to receive Technical Assistance to ensure comprehensive attention to small business needs. The Small Business Technical Assistance Program is another recovery program offered by OCD-DRU.

- Subrecipients will enter into loan agreements directly with awarded businesses. OCD-DRU will provide the program legal templates for all Subrecipients to use.
- OCD-DRU will monitor the Subrecipients' approved and denied loans for adherence to compliance and performance requirements, as detailed within this document and all other program guidelines, appendices and/or memos.
- The Subrecipients shall comply with all application review and documentation measures contained within this document, which shall not be construed to be an exclusive listing.
- OCD-DRU will monitor program Subrecipients for compliance with the RLSB program rules and guidelines.

Funding Allocation to Subrecipients

OCD-DRU will provide assistance to Subrecipients for the actual costs needed to implement the RLSB. OCD-DRU will determine the amount to award each of the Subrecipients based on an assessment of capacity and the anticipated demand from impacted businesses in the region(s) targeted by each of the Subrecipients. It is likely that each Subrecipient will be awarded a different amount by the RLSB.

Furthermore, it is the aim of OCD-DRU to ensure as much program funding as possible is issued in the form of assistance to impacted small businesses, however the state understands it is time-consuming and labor-intensive to implement this program.

Therefore, each Subrecipient will be required to submit an implementation budget to OCD-DRU for approval prior to incurring costs included in the budget. OCD-DRU will review each budget for reasonableness. Budgets are subject to the following caps:

- **Program Delivery Costs:** 15% of the total amount approved for the Subrecipient by OCD-DRU
- **Administration Costs:** 1% of the total amount approved for the Subrecipient by OCD-DRU

Once the program is underway, OCD-DRU may allow for budget amendments and/or a budget increase beyond the program caps on a case-by-case basis, subject to review of the Subrecipient's justification. OCD-DRU may approve or deny the exceptions requests in its sole discretion. Costs incurred prior to OCD-DRU's approval of budget amendment requests may not be reimbursed by the program.

Program Delivery Costs: Program Delivery Costs are those costs associated with direct delivery of the Program. Program Delivery Costs are generally linked to a project or are project-specific. They are costs directly related to implementing the eligible CDBG-DR projects/activity. This includes the costs of carrying out the eligible activity and include Subrecipients' costs, as well as third parties' (subgrantees and contractors). For example, the time spent by staff conducting application intake, applicant and jobs income verification, use of funds verification, underwriting and loan closings would be considered to be costs of delivering the activity.

Program Delivery Costs must be direct costs related to the Program and cannot exceed 15% of the

total budget.

Administration Costs: Costs incurred by the Subrecipient and/or its subgrantees or contractors for performing overall general administrative functions, including:

- general management, oversight and coordination;
- providing local officials and citizens with information about the general CDBG program;
- preparing budget, invoices and schedules;
- preparing reports and other HUD required documents;
- monitoring program activities

All administrative costs must be direct costs related to the Program, and cannot exceed 1% of the total budget.

Direct Program Costs: The amounts distributed to eligible businesses in the form of a loan. All other funding awarded to a Subrecipient that does not pay for program delivery or administration costs will fund Direct Program Costs.

Program Reporting and Monitoring

Reporting

Subrecipients will establish program targets and benchmarks and will be required to report the following data on a quarterly basis to OCD-DRU. Subrecipients must submit the information electronically through the database and/or case management system specified by OCD-DRU. Data requested may include the following and other items:

- Number and dollar value of loans originated;
- Uses of funds for each of the loans originated (e.g. working capital, inventory, movable equipment);
- Number of loans under review, denied, approved and closed;
- Information on jobs created or retained by each of the businesses and tenant businesses directly and indirectly assisted including the total number of individuals in each job position, job titles and salaries, and Low to Moderate Income status. For microenterprises, Subrecipients are required to collect and report on the household income of the owner of the business. This information is required for each business and will be reported to OCD-DRU, with support documentation maintained in the Subrecipients' loan files;
- Loan portfolio aging reports.

Subrecipients may be required to provide updated information to OCD-DRU more frequently when requested by OCD-DRU. Should Subrecipients be unable to meet established benchmarks and program targets, they may submit a request to OCD-DRU that modifies their deliverables and

indicators.

Program Monitoring

Subrecipients are responsible for implementing the program in a compliant manner, per the program policies and procedures and all applicable state and federal regulations. Subrecipients are required: to review applicant businesses for program eligibility; to calculate eligible award amounts; to collect and retain documentation pertaining to the final eligibility, uses of funds and award determination of an applicant business; and to collect loans per the terms of the program loan agreements and internal collections policies.

OCD-DRU will monitor Subrecipients for compliance with all program guidelines, memos and procedures and all applicable state and federal regulations. OCD-DRU Program Managers and Program Monitors, will make scheduled visits to the Subrecipients to ensure program compliance, implementation consistency and accuracy of information sent to OCD-DRU. Program Monitors may also visit awarded businesses to monitor eligibility, use of funds and compliance with the program.

Subrecipients will maintain comprehensive and accurate program records, including, but not necessarily limited to, the following:

- Subrecipient financial records (budget, general ledger, bank statements, cancelled checks, supporting invoices, financial statements, procurement documentation, etc.).
- Programmatic records for each approved and denied business applicant. Documentation shall include, but is not limited to: business applications; approval and/or denial forms and letters; legal documents (promissory notes and loan documents); receipts and uses of funds documentation; jobs retention and creation documentation from approved businesses and their tenants, where applicable; income documentation for owners of microenterprises; compliance documentation for loan monitoring; loan aging reports; etc.
- Where applicable, monitoring reports of Subrecipients' monitoring of program contractors and/or subgrantees;
- Any other documents that the Subrecipient considers material to a potential audit;

Subrecipient agrees to the completion of an annual audit or financial report, the level of which is determined by the total funding awarded to the Subrecipient by all state and/or federal resources, as required by state and federal regulations. Subrecipient also agrees to provide copies of requisite audits or financial reports to the Louisiana Legislative Auditor (LLA) and OCD-DRU. Failure to do so may place the Subrecipient on the LLA's or OCD-DRU's non-compliance list, which may result in the inability to fund the Subrecipient.

Subrecipient agrees to maintain all books and records for five (5) years following the final closeout of the grant from HUD to OCD-DRU. Subrecipients are encouraged to convert all paper files to electronic files. However, if any litigation, claim, negotiation audit or other action involving the

records has been started before the expiration of the five-year period, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular five-year period, whichever is later.

In addition, the Subrecipient shall allow OCD-DRU, HUD, the LLA and any other state or federal agency seeking to monitor the Subrecipient access to all books, accounts, records, reports, files, and other electronic or paper documentation pertaining to the administration, receipt and use of federal funds and necessary to facilitate such reviews and audits.

Revolving Loan Fund and Loan Collections

Subrecipients will be responsible for collecting loans per internal loan policies, along with CDBG-DR regulations. Subrecipients must make customary and reasonable efforts to collect on loans per internal loan policies. Eligible loan proceeds (principal and interest payments) collected by the Subrecipient may remain with the Subrecipient, provided they are placed in a separate Revolving Loan Fund, which may be monitored for eligible uses of funds and pre-established limitations by OCD-DRU. Revolving Loan Fund (RLF) limitations include:

- Annual limit of 15% of total collections may be spent on program delivery and administration expenses related to the management of on-going loan collections and generation of new loans from the Revolving Loan Fund;
- New loans made from the RLF must be provided to businesses located in one of the RLSB 51 eligible parishes;
- OCD-DRU will monitor Subrecipients for compliance with the terms of RLF for a minimum of two years, unless there are findings or concerns of non-compliance or if the Subrecipient is placed on the LLA's non-compliance list for an extended period of time, as defined and determined by OCD-DRU. In such cases, OCD-DRU may extend the monitoring term or may trigger recapture. In the event of recapture, Subrecipients will be required to either repay all funds collected through the RLF to OCD-DRU or transfer all funds collected through the RLF and all outstanding loans and associated files to a Subrecipient or other entity designated by OCD-DRU.
- Subrecipients will be required to submit the following documents listed below. OCD-DRU will provide necessary forms to Subrecipients.
  - Program activity monthly reports
  - Monthly bank statements
    - Monthly Loan reports
    - Bank Statement and Loan Reconciliation
    - Administrative Costs tracking sheet.

Subrecipients unable or unwilling to collect on delinquent loans may refer and assign their rights as lenders for particular loans to the State for collections. In such cases, the Subrecipient or the State will place business owners in default and the State, through either OCD-DRU, the Attorney General's

Office or the Louisiana Department of Revenue's Office of Debt Reduction will work with the business owners to develop a repayment plan. In such cases, principal and interest payments collected from business owners will return to the State and will remain with the State. This paragraph shall not exempt a Subrecipient from following its collection processes.

Subgrantees and Contractors

If Subrecipients choose to use professional service providers, vendors or contractors in the administration of the program, they must first seek approval from OCD-DRU for their plan. If approved, Subrecipients are required to procure all professional service providers or contractors, as per 2 CFR 200.320.

Subrecipients may also enter into an agreement with a subgrantee, which is defined as a non-profit or quasi-public entity that will help the Subrecipient in the administration of the RLSB and which the Subrecipient will reimburse for actual expenses, without any profit in the budget.

- In such cases, it is the Subrecipient's responsibility to monitor and ensure that all contractors and/or subgrantees are in full compliance with federal regulations, the Subrecipient Agreement and Program rules, including the submission of all support documentation, required reports and OCD-DRU established guidelines and timeframes.
- Agreements between Subrecipients and their contractors and subgrantees must contain the Statement of Assurances as an appendix to the legal agreements.
- OCD-DRU will monitor Subrecipients for their monitoring of their contractors and subgrantees.
- Subrecipients are responsible for ensuring they, their contractors and subgrantees and Eligible Businesses comply with the Louisiana Ethics Code for state expenditures. OCD-DRU will monitor Subrecipients for compliance with the Louisiana Ethics Code for state expenditures.

CDBG-DR Requirements

A. The RLSB is funded as an eligible activity under CDBG-DR, per Section 105(a) 15 of the Housing and Community Development Act (HCDA). All requirements of the CDBG-DR program that relate to economic development activities are applicable to the RLSB including:
   1. Meeting a national objective. Subrecipients are required to collection information on each awarded business to demonstrate how they meet one of the following national objectives:
      a) Benefit to Low and Moderate Income persons, job creation;
      b) Benefit to Low and Moderate Income persons, job retention;
      c) Benefit to Low and Moderate Income persons, area wide benefit;
      d) Benefit to Low and Moderate Income persons, limited clientele (assistance to microenterprises whose owners are LMI); OR
      e) Urgent Need
   2. Guidelines for evaluating and selecting economic development projects, as per 24 CFR

570.209, and subject to the alternative requirements listed in the applicable disaster recovery waivers

3. Other program requirements, as applicable -- 24 CFR 570.601 (Sub part K)
4. Financial Records -- 24 CFR 570.502 and 2 CFR 200.302
5. 24 CFR 570.604 and 24 CFR Part 58 Environmental Standards

B. Subrecipients are required to report on all jobs created or retained through the program. If the business's activities cannot be classified as benefiting LMI persons (see below), the awarded business must still provide job and owner information to the Subrecipient; however in such cases, the awarded business will be classified as meeting the national objective of Urgent Need.

In order to determine whether the assistance to a business can be categorized as LMI job creation or retention or LMI Limited Clientele for national objective purposes (24 CFR 570.483 (b) (4)), Subrecipients must ensure:

- The businesses complete, execute and submit LMI Certification forms as part of the application and within one year of receiving the final loan payment from the Subrecipient;
- Perform a financial analysis of an eligible business to justify the use of LMI Job Retention as a national objective. Businesses may only qualify under LMI Job Retention if:
  - 51% or greater of their total jobs retained by the applicant business are held by LMI persons, as defined by the salary paid to the employee; AND
  - The company experienced a 20% decline in gross revenue since the flood events.
- Collect income data on owners of microenterprises considered to be LMI

OCD-DRU will provide LMI Certification forms for each parish along with current income tables for 2017. Awarded businesses must complete the LMI Certification form for the parish in which their employees and/or owners reside. OCD-DRU will provide yearly updated LMI Certification forms to Subrecipients as area median income data defined by HUD becomes available. Subrecipients will review payroll registers, payroll forms or federal form 941 businesses are required to submit to verify job creation or retention LMI income data reported on LMI Certification forms is accurate.

To qualify under LMI Area Benefit, a business must provide services (i.e. grocery store) that benefit all residents in a particular service area, where at least 51 percent of the residents are LMI persons. To determine if a business is in an LMI area the following documentation will be required:

- Census tract and block group number(s) of the area the business serves
- A current survey of the residents in the service area showing the percentage of LMI persons that reside in the service area

The following resources can be utilized to obtain this information:

https://www.hudexchange.info/programs/acs-low-mod-summary-data/acs-low-mod-summary-

data-block-groups-places/

https://geomap.ffiec.gov/FFIECGeocMap/GeocodeMap1.aspx

Applicant Business Eligibility Criteria

To be eligible for benefits under the RLSB, an applicant business must meet all of the following criteria:

1. **Must** be either a for-profit businesses or a private non-profit organization located in one of the 51 parishes impacted by the 2016 Severe Storms and Flooding Events:
   Acadia, Allen, Ascension, Avoyelles, Beauregard, Bienville, Bossier, Caddo, Calcasieu, Caldwell, Catahoula, Claiborne, DeSoto, East Carroll, East Baton Rouge, East Feliciana, Evangeline, Franklin, Grant, Iberia, Iberville, Jackson, Jefferson Davis, Lafayette, LaSalle, Lincoln, Livingston, Madison, Morehouse, Natchitoches, Ouachita, Pointe Coupee, Rapides, Red River, Richland, Sabine, St. Helena, St. James, St. Landry, St. Martin, St. Tammany, Tangipahoa, Union, Vermilion, Vernon, Washington, Webster, West Baton Rouge, West Carroll, West Feliciana and Winn.
2. Non-profit organizations will be evaluated for eligibility and ability to service debt based on the secular operations of their organizations.
3. Has eligible unmet needs after accounting for all insurance, federal, state, local and private proceeds considered to be a duplication of benefit.
4. Was operating at the time of the respective storm or flood event. The applicant business must have been open before April 8, 2016 for the March 2016 floods and before August 31, 2016 for the August 2016 floods.
5. Must either a) be currently operating or b) demonstrate the ability to reopen upon receiving assistance from the program.
6. Businesses that are closed at the time of application, but who will be able to reopen upon receiving assistance from the program must have a business plan and demonstrate they have the funding necessary to reopen. Closed businesses must commit to re-opening in an eligible parish; they are not required to re-open in the same location in which they were operating at the time of the flood.
7. Has a minimum of one (1) full-time equivalent employee and no more than 50 full-time equivalent employees. (FTEs = Full-Time Equivalents = 35 hours per week)
8. Had a pre-storm minimum annual gross revenue of $25,000.
9. Was directly impacted by the storms/floods, as a documented physical or financial loss. The program will not fund construction-related expenses or financial losses; the assessed physical damages and financial loss calculations are only a requirement for determining eligibility. See Award Calculation Methodology below for additional information on how an award is calculated.
   - In order to qualify under physical loss, a business must demonstrate they had a minimum of $10,000 in third-party verified physical damages or losses.
   - In order to qualify under a financial loss, a business must demonstrate a 20% annual gross

revenue decline from 2015 to 2016. For the August flood, Subrecipients may submit to OCD-DRU on an exceptions basis approval for businesses that experienced a revenue decline in the last quarter of 2016 or the first quarter or 2017 as compared to the same quarter in the previous year. For the March flood, the second or third quarters of 2016 will be compared to the same quarters of the previous year. In these cases, businesses will be required to provide a justification and financial statements to prove revenue decline.

Eligibility Exceptions

Subrecipients may submit an applicant business to OCD-DRU for consideration on an exceptions basis in cases where an applicant business may not meet all eligibility requirements. OCD-DRU will determine in its sole discretion whether the Subrecipient has made the case that the need for an exceptions award is critical to the community's long-term recovery.

Other Eligibility Criteria and Limitations

1. Businesses qualify based on their pre-storm/flood location of doing business. If a closed business is looking to re-open in a new location, that location must be in an eligible parish.
2. Non-profits are eligible based on the earned-income portion of their operations.
3. Religious non-profit organizations are eligible based on the secular component of their operations (e.g., a church that runs a daycare or restaurant that is open to the public, regardless of religious affiliation).
4. Bars are eligible to receive awards; package liquor stores are not.
5. Residential and/or commercial real estate businesses are not eligible.
6. Common ownership of different businesses/companies: If two or more companies or businesses with common ownership have an owner with greater than 50% ownership in each, only one business may qualify for an award. Owners with a ≥50% share in two or more businesses may only qualify for one award each (a husband/wife team with 50%/50% ownership in two legally distinct companies may qualify for one business each).
7. Owners who have received a loan and own a minority share in another business do not disqualify that business by their ownership.
8. Privately owned recreational facilities that serve a predominantly higher-income clientele are not eligible.
9. Assistance to privately owned sports teams is not eligible.
10. Businesses and/or business owners of sole-proprietorships/partnerships in bankruptcy are not eligible.
11. Businesses are not eligible if they received federal assistance in the past and did not comply with the requirement to maintain flood insurance.
12. Necessary policy changes that arise during the course of program implementation will be decided by OCD-DRU via the Policy Clarification/Change Form process.

Application Phases

Due to a shortage of funding, the program may decide to implement the program in one or multiple phases.

Phase I

The first phase of the program is limited to providing assistance to businesses that meet the program eligibility requirements AND are considered to provide essential goods or services to an impacted community. Essential goods or services are those goods or services necessary for immediate and long-term housing and community recovery. Such goods and services may include grocery stores, pharmacies, healthcare providers, gas stations, residential construction-related companies, childcare providers, locally-owned restaurants and residential service providers. Prior to final eligibility determination of a particular business that does not fall within this list of essential good or service providers, Subrecipients may submit recommendations and justifications for expanding the list of types of businesses included in this definition, subject to approval by OCD-DRU.

Future Phases

Should additional funding be available after the Phase I eligibility review and award determination, OCD-DRU may decide to open the program for additional phases and may decide to expand the pool of eligible businesses. OCD-DRU will work with Subrecipients and an updated unmet needs assessment to determine the most effective and needed approach to opening the program in additional phases.

Eligible Uses of Funds

1. Eligible use of proceeds includes:
   a) Up to six months of documented working capital expenses, which are limited to:
      - Monthly rent or mortgage payments;
      - Monthly non-owner employee wages and benefits;
      - Monthly utilities (gas, water and/or electricity bills, phone, cable and/or internet bills); and/or
      - Inventory
   b) Purchase of moveable equipment necessary for the recovery of an impacted business.
   c) Furniture is allowed only if the furniture is vital to provide the business service and will be used directly by the patrons of the business, For example:
      - A restaurant's dining room tables and chairs
      - A healthcare provider's waiting room furniture and examination furniture
      - A child care provider's cribs, beds, and child-specific furniture
      - General office or utility furniture is not eligible
2. Ineligible uses of proceeds include, but may not be limited to:
   a) Acquisition of buildings

b) Construction or construction-related activities (e.g. fixtures and/or the purchase of equipment that requires construction activities as part of installation of the equipment)
c) Refinancing of loans
d) Payment of any tax arrearages, governmental fines or penalties
e) Purchase of real property
f) Political or religious activities
g) Buying out any stockholder or equity holder in a business
h) Buying out or reimbursing any family member
i) Investment in instruments or investments for the sole purpose of a return on investment
j) Expenses for which private philanthropy, NFIP or private flood insurance, other insurance, state or federal benefits have been or will be paid or financial assistance that has been approved or provided by federal, state, or other sources considered to be duplicative of CDBG-DR funds. For additional information on Duplication of Benefits, see below.

Duplication of Benefits

Generally, financial assistance received from another source that is provided for the same purpose as the CBDG-DR funds is considered a Duplication of Benefit (DOB). To prevent the creation of a duplication of benefits, program controls include, but are not limited to:

- Certification that business applicants have and will notify the Subrecipients and/or OCD-DRU of all potential DOBs as part of the information submitted in their applications and subsequent to receiving an award from the RLSB;
- Verification of specific DOBs through various available sources.

The DOB verification process will be carried out in the following steps:

- Subrecipients will collect information on potentially duplicative funding sources from all applicant businesses during the application phase.
- Business applicants will be required to provide insurance provider contact information, policy coverage information and ID, claims information and amounts received and approved for all potentially duplicative sources.
- Business applicants will be required to authorize OCD-DRU to contact all potentially duplicative funding sources on their behalf to verify all funding sources received and/or approved.
- Using information collected from the applicant businesses and the authorization provided to OCD-DRU by the applicant businesses, OCD-DRU will perform a verification of benefits received and/or approved on all applicant businesses. OCD-DRU may work directly with applicant businesses to expedite this process.
- OCD-DRU will provide verified information to Subrecipients, who will use this information to

calculate final eligible award amounts for applicant businesses.

Below is the process flow of the DOB process and a sample calculation:

1. Subrecipient Identifies Applicant Business' Eligible RLSB Uses of Funds	$100,000
2. Subrecipient Identifies All Potentially Duplicative Assistance through the Program Application	$35,000
3. OCD-DRU Verifies All Duplicative Assistance Received or Approved for the Applicant Business and Determines only $30,000 is considered to be Duplicative with the RLSB award. OCD-DRU Provides this information to Subrecipients;	
4. Subrecipients Deduct Assistance Determined to be Duplicative from the Applicant Business' Eligible RLSB Uses of Funds	$30,000
5. Subrecipient Calculates Final Unmet Need (Step 1 minus Step 4)	$70,000
6. Maximum Program Benefit	$50,000
7. Maximum Loan Award Amount (lesser of Step 5 or 6)	$50,000

Award Structure and Loan Terms

Award Structure

1. Subrecipients will issue awards to awarded businesses in the form of loan packages.
   a) Loans will be partially forgivable, with 40% forgivable and 60% repayable, subject to the terms of the loan.
   b) 60% of the loan will be amortized over the approved term of the awarded business' loan; the forgivable portion will not be repayable, unless the awarded business is placed in default or does not meet the loan forgiveness requirements.
2. Partial loan forgiveness is based on:
   a) a business' ability to repay the loan as required by the loan agreement;
   b) the provision of all requisite support documentation for use of funds, as requested by the Subrecipient or OCD-DRU; and
   c) the submission of all requisite support documentation related to meeting the national objective of job creation, retention, microenterprise, area-wide benefit and/or urgent need.
3. Total awards will range from $10,000 minimum to $150,000 maximum, based on a calculation of unmet needs and eligible expenses. Exceptions can be submitted for special circumstances. Exceptions will be issued on a case-by-case basis as approved by OCD-DRU. Further detail on allowable exceptions will be detailed in the RLSB Exceptions Policy.

Loan Terms

1. Interest rate is 0%.
2. The loan is structured as 60% repayable and 40% forgivable.
3. 60% of the awarded loan will be amortized over five (5) years, following a six-month period of no principal repayment.
4. For loan requests over $50,000, OCD-DRU will consider allowing a longer term on the loan to ease the monthly payment obligation. The subrecipient should submit an exception request to OCD-DRU with the desired term and justification for the request.
5. If an awarded business does not meet the requirements of forgiveness of 40% of the loan, then that remaining 40% portion will be due upon loan maturity unless Subrecipients or OCD-DRU allow for an extension of the loan agreement to allow businesses to repay the additional 40% over a maximum of 24 months.
6. Loans delinquent longer than 90 days will be placed in default and will carry a default interest rate of 8% from the date of the loan closing. This default rate cannot be modified.
7. Awarded businesses who use their funds for purposes not allowed by the program may be placed in default, and the default rate may be retroactively applied to the execution date of the loan agreement.
8. Personal guarantee required for all owners with 20% or greater ownership in the business.
9. Loans will become immediately due and payable should the business owner sell the business, sell or dilute majority ownership or sell assets purchased with CDBG-DR funds.
10. Subrecipients may not charge closing fees to applicant businesses or OCD-DRU. OCD-DRU will reimburse Subrecipients for staff time and eligible expenses related to the implementation of the program.

Award Calculation Methodology: Working Capital, Movable Equipment and Furniture

Working Capital

Due to the overwhelming need to strengthen small businesses and revitalize storm affected communities, working capital for this program is defined as utility costs (gas, electric and water), non-owner employee salaries, and rent or mortgage costs. For businesses requesting working capital assistance, Subrecipients will determine an estimated monthly working capital need as the monthly average of the 3 consecutive months prior to the storm of working capital costs.

Required documentation for working capital need includes 3 consecutive pre-storm months of:

- ☐ Rent/Mortgage as evidenced by an executed Lease/Mortgage or proof of payment
- ☐ Employee Wages as evidenced by certified payroll registers or employee reporting forms
- ☐ Electricity, Water and Gas Utilities as evidence by Utility Service Provider Bills
- ☐ Monthly inventory Bills

Steps for calculating eligible working capital uses of funds:

- The Subrecipient will review submitted documentation and the applicant's file to ensure all requests are "arm's length transactions." Transactions made by related parties or entities are not eligible for working capital assistance. The Subrecipient and OCD-DRU have authority to determine if a submitted transaction is determined to be an "arm's length transaction".
- The Subrecipient will then calculate the estimated average monthly working capital need, by totaling all the approved working capital expenses for all three months and then dividing that total by three (3).
- Using the average working capital expenses, the Subrecipient will multiply that number times six (6) to determine the business applicant's maximum eligible working capital assistance.
- The applicant may also submit for eligible movable equipment expenses. The amount approved for working capital and movable equipment expenses may not exceed the maximum award.

Movable Equipment and Furniture

Applicant businesses may be eligible for assistance for unmet needs related to movable equipment, machinery and furniture. Costs associated with movable equipment include the documented repair or replacement of, or reimbursement for, machinery or equipment not dependent on construction, reconstruction, ground disturbance or structural modifications.

In order to determine the amount for which a business is eligible for movable equipment and furniture, businesses must provide documentation, invoices and/or receipts with adequate description to determine the nature of the equipment or furniture and the installation requirements associated with making the equipment or furniture usable.

If the requested equipment or furniture is replacement for equipment or furniture damaged or destroyed by the floods, then the applicant business must provide verification of loss or damage (which may include pictures). If the requested equipment is necessary for the business to reopen and/or remain viable in the post-storm economy, the applicant business must provide justification for the new piece of equipment or furniture. Subrecipients must ensure all program costs are necessary and reasonable.

All eligible uses of funds will be reviewed for duplication of benefits before final award determination and execution of loan agreements.

Final Award Determination

Once the Subrecipient has determined the total working capital, movable equipment and for furniture expenses for which a business applicant may be eligible, the Subrecipient must provide details of the eligible expenses and the applicant business' duplication of benefits information to OCD-DRU for Duplication of Benefits third-party verification. OCD-DRU will provide the verified DOB amounts to apply against the applicant business' award so the Subrecipient can calculate the final

award that an applicant business is eligible to receive.

Award Calculation Methodology Sample:

Applicant Business Impacted by August 2016 Floods:

Working Capital Award

Eligible Working Capital Category	May 2016	June 2016	July 2016	Average Working Capital Expenses	Eligible WC Award: Six Months Average Monthly WC Expenses
Rent	$4000	$4000	$4000		
Gas, Electricity and Water Utilities	$2500	$3000	$3500		
Non-Owner Employees	$10,000	$15,000	$15,000		
Total:	$16,500	$22,000	$22,500	$20,330	$121,980

Equipment and/or Furniture Award

Cost of Eligible Pieces of Damaged Equipment: $20,000

Total Award Calculation

1.	Subrecipient Calculates Eligible Amount of Working Capital	$121,980
2.	Subrecipient Calculates Eligible Amount of Equipment and Furniture	$20,000
3.	Subrecipient Calculates Applicant Business' TOTAL Eligible Uses of Funds (total of Step 1 plus Step 2)	$141,980
4.	Subrecipient Identifies All Potentially Duplicative Assistance through the Program Application (SBA, NFIP, other business interruption insurance, etc.)	$100,000
5.	OCD-DRU Verifies All Duplicative Assistance Received or Approved for the Applicant Business and Determines only $90,000 is considered to be Duplicative with the RLSB award. OCD-DRU Provides this information to Subrecipients;	
6.	Subrecipients Deduct Assistance Determined to be Duplicative from the Applicant Business' Eligible RLSB Uses of Funds	$90,000
7.	Subrecipient Calculates Final Unmet Need (Step 3 minus Step 6)	$51,980
8.	Maximum Program Benefit	$50,000
9.	Maximum Loan Award Amount (lesser of Step 7 or 8)	$50,000

Documentation Required from Business Applicants

1. A completed application including but not limited to:
   a) Company background and history
   b) Ownership information
   c) Proof of ownership structure
   d) Personal and/or business competences and capabilities necessary to achieve project success and completion
   e) Description of the types of eligible expenses the award will be used on
   f) Detailed description of direct jobs that will be created during the first year of the loan agreement
   g) Interim financial statements.
   h) Financial statements are required if full tax returns are not available during application underwriting. The subrecipient must collect the tax returns once they become available to complete their file.
   i) Insurance documents
2. A business and development plan may be determined as a required document, at the Subrecipient's discretion. A business that is closed at the time of application and intends to reopen using RLSB funds must have a business and development plan and include a business pro-forma.

3. Signed federal business tax returns for the business including all schedules for the most three (3) recent years. If the business is a sole proprietorship, single member limited liability entity, a partnership or a limited liability company taxed as a partnership, owners must submit the three most recent years of personal tax returns
4. Signed federal personal tax returns for all principal owners (greater than 20% ownership) for most recent three (3) years
5. Copy of current US or state government-issued identification for all owners/principals.
6. Proof of business/ownership structure.
7. Proof of number of employees, to include the completion of a program LMI Certification form and the provision of pre-storm and current certified payrolls or other wage reports.
8. Proof of operating business address.
9. Any other relevant business documentation as requested by the Subrecipient.

Award Underwriting

1. **Basic Standard Underwriting** – all award applicants must fulfill the following minimum standard underwriting criteria:
   a) Determination that meets General Eligibility and Other Criteria (above)
   b) All owners with greater than 20% ownership must have a Beacon credit score ≥600 Exceptions to this requirement may be submitted to OCD-DRU on a case-by-case basis
   c) Global debt coverage ratio of 1.1x. Global debt coverage ratio is a ratio that combines both personal and business income and expenses. Exceptions to this requirement may be submitted to OCD-DRU on a case-by-case basis. If all owners have a beacon score of 700 or above, the debt coverage ratio requirement is not applicable.
   d) Non-Profits will not be subject to a credit check nor will their board members be required to provide personal guarantee. The subrecipient, at their discretion, may require their loan to be collateralized.
2. **Determination of Satisfaction of the Criteria of 24 CFR 570.209:**
   a) That project costs are reasonable;
   b) That all other sources of project financing are committed;
   c) Documentation of need and that CDBG funds are not substituted for non-Federal financial funding or support;
   d) That the project is financially feasible;
   e) That to the extent practicable, the return on the applicant's equity investment will not be unreasonably high; and
   f) That to the extent practicable, CDBG funds are disbursed on a pro-rata basis with other finances provided to the project.

A template/guide will be provided by OCD-DRU as to how underwriting should be conducted for these and any other required CDBG criteria.

Application and Award Process Flow

1. Applicant business submits application to Subrecipient during the application period. Applicant businesses may request an appointment with a Subrecipient to request additional support or information about the RLSB Program and to understand whether they may be eligible.
2. Subrecipient reviews application for eligibility.
3. Subrecipient contacts applicant business for additional information, if necessary.
4. Subrecipient enters all information into SAGE.
5. Subrecipient underwrites loan, reviews and verifies all support documentation and determines total possible eligible award amounts.
   a) If the applicant business is ineligible, the Subrecipient will notify the applicant business in writing of their ineligibility.
   b) If the applicant business is otherwise eligible for the program, the Subrecipient will forward the applicant business' information to OCD-DRU for OCD-DRU to perform the duplication of benefits check and compliance with state taxes.
1. OCD-DRU performs duplication of benefits check.
2. Subrecipient calculates total loan award amount, using information from the duplication of benefits check.
   a) If the duplication of benefits check results in a $0 eligible award for the applicant business, the Subrecipient issues a letter to the applicant business that they are not approved for any assistance under the program.
   b) If the applicant has an eligible unmet need, the Subrecipient issues award letter and schedules loan closing with eligible business.
3. Subrecipient closes on all loan agreements with awarded business.
4. Subrecipient submits request for payment, via SAGE or OCD-DRU online reporting system for eligible expenses.
5. OCD-DRU processes request for payment and wires funds to Subrecipient.
6. Subrecipient issues payment to awarded business.

Documents to be Signed and Maintained by All Awarded Businesses at Closing:

- ☐ **Award Acceptance Agreement**
- ☐ **Restore Louisiana Small Business Loan Agreement and Promissory Note**
- ☐ **Subrogation Agreement** ensuring that any Awards made to any of the business owners after the closing such as Flood Insurance, SBA, etc. for unmet needs that were funded by the RLSB award are subject to the duplication of benefits calculation and consequently may be owed to the program.
- ☐ **Flood Insurance:** If businesses located with a 100-year floodplain are awarded assistance for mortgage assistance, inventory and/or equipment expenses, they are required to maintain either building (mortgage assistance) or contents (inventory and/or equipment) flood insurance for the life of the loan. Failure to maintain and provide proof of flood insurance

may result in a business' ineligibility from receiving any federal assistance in the event of future disasters.

- ☐ **Uses of Funds Documentation:** Working capital expenses are provided based on a pre-storm assessment of working capital needs. The Subrecipient or OCD-DRU may monitor businesses for final uses of funds; awarded businesses are expected to maintain support documentation in the event of such a monitoring visit.

General Monitoring Plan – OCD-DRU

Note: The audit and monitoring process detailed below generally describes currently anticipated monitoring processes, and shall not limit OCD-DRU, its auditors, the Louisiana Legislative Auditor, HUD or federal auditors in the scope of any audits any of them may deem prudent to perform. This process may change.

Ongoing Technical Assistance

- OCD-DRU will provide training to Subrecipients and their staff before the program opens for applications from businesses
- OCD-DRU will conduct a pre-monitoring meeting with each subrecipient to review CDBG, state, and federal rules and regulations applicable to the program and subrecipient
- Should a Subrecipient require technical assistance from OCD-DRU staff on the program guidelines or implementation and administration requirements, they may contact OCD-DRU for support
- OCD-DRU will hold scheduled weekly, bi-weekly, or monthly conference calls to answer questions and provide assistance to subrecipients.

Intake Process Review

- OCD-DRU will provide technical assistance and to each Subrecipient during the application period.
- OCD-DRU may observe and provide technical assistance and/or monitoring results for the Subrecipient's application intake and processing procedures

Business Eligibility and Underwriting Reviews

- OCD-DRU will perform desk and/or on-site reviews of each Subrecipient on a schedule to be established by OCD-DRU
- In the initial review, OCD-DRU will perform a minimum of 50% sample review of files complete in SAGE.
- OCD-DRU will review all files in the sample to determine whether businesses were denied or approved in a manner that is consistent with the program policies and procedures
- OCD-DRU will also review all business files in the sample for all requisite program documentation

- If OCD-DRU determines the level of non-compliance is significant, the sample file size will be increased.

Closing Documents Review

- OCD-DRU will perform desk and/or on-site reviews of each Subrecipient during loan closing period.
- In the initial review, OCD-DRU will perform a minimum 50% sample review of loans on which Subrecipients are ready to execute a closing.
- Documentation will be reviewed to verify that files contain all required closing documents and related information as per the program guidelines.

Subrecipient Program Compliance and Performance Review

- OCD-DRU will perform desk and/or-site reviews of each Subrecipient on a schedule to be established by OCD-DRU
- OCD-DRU will review Subrecipients for organizational policies and procedures, financial management (including required annual audit or financial report), program monitoring, and program management, including reporting and recordkeeping requirements
- Findings resulting from a monitoring visit may result in repayment of program funds from a Subrecipient to OCD-DRU

Revolving Loan Fund and Loan Collections

- OCD-DRU will monitor Subrecipients for compliance with the terms of the revolving loan fund (RLF) for a minimum of two years.
- OCD-DRU may extend the RLF monitoring term or recapture RLF funds collected if there are findings or concerns of non-compliance or if the Subrecipient is placed on the LLA's non-compliance list for an extended period of time, as defined and determined by OCD-DRU.
- Subrecipients will be required to submit the following documents to OCD-DRU for RLF monitoring: program activity monthly reports; monthly bank statements; monthly loan status and repayment reports; bank statements and loan reconciliations; and administrative costs tracking sheet.

Monitoring Findings

OCD-DRU shall record and communicate all findings and concerns, and shall detail both compliance of application and use of funds. Issues of non-compliance shall be categorized either as a concern or as a finding. Subrecipients found to have unresolved findings and concerns or which received funds in error may be required to repay program funds to the State or other measures including transfer of loan accounts and funds on hand, as per the terms outlined in the Cooperative Endeavor Agreement.

OCD-DRU may take action against Subrecipients found to be negligent in their responsibilities, including but not limited to the requirement to return ineligible or unsupported program funds and/or termination of contract, as per the Cooperative Endeavor Agreement with the Subrecipient.

Subrecipients found to be willfully fraudulent will be referred to appropriate authorities for prosecution.

Business Verification Process: Anti-Fraud, Waste and Abuse

Multiple verification of business eligibility

As part of their applications to the Restore Louisiana Small Business Program, applicant businesses and non-profits are required to submit the information listed on the application checklist to a contracted Subrecipient in order for the Subrecipient to consider the applicant for program eligibility:

Category	Required Items
☐ Application	▪ Restore Louisiana Small Business Program application, completed and signed by all owner(s) with 20% or greater ownership in the applicant business.
	▪ *Note: One owner or non-profit representative may sign with authorization of board resolution*
☐ Proof of Identity of Owner(s)	▪ Government-issued photo ID (e.g., driver's license, passport)
☐ Proof Business was Established Prior to the storm/flood event *Note: Key determination is that business was in operation prior to April 8 for the March or August 31 for the August 2016 flood event, as applicable*	▪ "Date of Incorporation" on corporate tax returns ▪ Any federal business tax return 2015 or earlier ▪ Business/Occupational License *Note: Articles of Organization, Articles of Incorporation, and Secretary of State website may be used as support documentation only*
☐ Proof of Ownership *Note: Applies to all owners with 20% or greater interest*	▪ Business tax return (with appropriate schedules) ▪ Personal Tax return (with appropriate schedules) ▪ Stock certificates with proof of total number of shares
☐ Proof of Address in Eligible Parish *Note: The business must have been physically located in an eligible flood-impacted Louisiana Parish before the storm/ flood event and must be currently physically located in an eligible Louisiana parish (may be different parish)*	▪ Copy of utility bills ▪ Lease Agreement ▪ Tax returns ▪ Business license
☐ LMI Form, completed	▪ Hard copy LMI Form
☐ Proof of Pre-storm/flood Employees ≤ 50 FTEs	▪ Federal Form 941 ▪ LA unemployment tax form ▪ Payroll forms (e.g., Paycheck)

Note: FTE = 35 hours/week	▪ Internal payroll register, signed
☐ Proof Annual Gross Revenue ≥ $25,000 *Note: Tax returns must be complete and signed*	▪ Federal tax form 1120 (corporations) ▪ Federal tax form 1040 Schedule C (sole proprietorships) ▪ Schedule F (farmers) ▪ Federal tax form 1065 (partnerships) ▪ Federal tax form 990 (tax-exempt organizations) *Note: These forms may be from 2015 or 2016; gross revenues for businesses that opened during 2015 or pre-storm/flood 2016 will be annualized to determine whether the pro-rated amount of gross revenue would have been greater than $25,000 for the year*
☐ Proof of Financial Loss (20% Gross Revenue Decline)	▪ Complete 2015 and 2016 tax returns, signed
☐ $10,000 physical damage or asset loss	▪ Insurance loss report or claims, SBA Verified Loss Report and/or receipts for replacement ▪ Casualty loss reported on 2016 tax returns *Note: Photos may be used as supporting evidence only*
☐ Proof Business is currently Open	▪ Any business tax return from 2016 reflecting revenue earned ▪ Sales receipts ▪ Sales tax returns ▪ Subrecipient site visit *Note: Secretary of State website may be used as support documentation*
☐ Proof Business has the ability to reopen	▪ Business Plan ▪ Pro-forma ▪ Proof of funding availability for all sources needed to reopen ▪ Lease agreement for new site

Consolidated entry of loan applications into a universal electronic database

Entry of all applications into a single database, SAGE CRM will allow for screening/elimination of duplicate applications, as all awardees will be cross referenced by business name, owner name and Social Security Number and/or Federal Employee Identification Number (EIN). Only one loan is allowed for each majority owner or distinct business. Consolidation of all data into a single database also allows for generation of tabular and graphic reports, which facilitate data review.

Review of awardees against Secretary of State lists

The Secretary of State website may be used to provide an additional verification of the incorporation information supplied in applications.

Review of awardees against Federal Debarment

Subrecipients will verify all business owners, business entities and non-profit organizations are eligible to receive federal funds and are not debarred from receiving federal assistance prior to

executing a loan agreement with an awarded business. Information on whether a business owner, entity or non-profit is debarred from receiving federal assistance can be found at: https://www.sam.gov/portal/SAM/