Louisiana Office of Community Development
Disaster Recovery Unit
State Administered CDBG Hurricanes Katrina and Rita
Notice of Funding Availability (NOFA) for the
Project-Based Opportunity Program (PROP)
For Economic Development

1) Summary
The Louisiana Office of Community Development Disaster Recovery Unit ("OCD-DRU") announces this Notice of Funding Availability ("NOFA") from the Community Development Block Grant ("CDBG") Disaster Recovery Fund (the "Funds") to be used within designated parishes impacted by Hurricanes Katrina and Rita. The availability and use of these funds is subject to the U. S. Department of Housing and Urban Development's ("HUD") approval of the State of Louisiana Action Plan, submitted to HUD by the Office of Community Development pursuant to the Hurricane's Katrina and Rita CDBG State of Louisiana Plan for Disaster Recovery ("Action Plan"), Subpart I of the regulations at Title 24 Part 570 of the Code of Federal Regulations. OCD-DRU has been designated by the Governor of the State of Louisiana as the primary agency to administer the Action Plan.

The purpose of the program is to address the critical needs of businesses and residents by achieving the following goals:

1) assist neighborhood and local economic development priorities
2) invest in commercial corridor revitalization
3) support key local and state industry sectors
4) spur long-term job creation, economic revitalization and long-term sustainability
5) employ disaster recovery resources to leverage private resources

The Project-based Recovery Opportunity Program (PROP) targets mid-size businesses that are located or intend to locate in an area suffering from the long-term effects of Hurricanes Katrina and/or Rita. For-profit businesses, community-based non-profit organizations, community development financial institutions and community-based economic development organizations headquartered in or with significant operations in Louisiana are eligible to apply for direct low-cost loans for an eligible project.

These funds are proposed to be made available in the form of loans to new or existing businesses located in any of the twenty designated Hurricane Katrina or Rita “Impacted Parishes” (Calcasieu, Cameron, Jefferson, Orleans, Plaquemines, St. Bernard, St. Tammany, Vermilion, Acadia, Allen, Beauregard, Iberia, Jefferson Davis, Lafourche, St. Charles, St. John the Baptist, St. Mary, Tangipahoa, Terrebonne, and Washington).

The NOFA complies with the requirements as stated in the Action Plan. This NOFA establishes the award process, the application acceptance period and threshold criteria.
2) Allocation of CDBG Funds

a) These funds are made available through the State of Louisiana’s allocation of CDBG Disaster Recovery funds from the U.S. Department of Housing and Urban Development (HUD). These CDBG Disaster Recovery funds have been set-aside solely for economic development activities in the impacted parishes by Hurricanes Katrina or Rita.

The CDBG funds will be made available to individual businesses located in or willing to locate in one of the Impacted Parishes. The applications will be processed through a first come, first serve application process. All applications submitted will be evaluated for eligibility and threshold criteria. Applications that successfully satisfy eligibility and threshold criteria will then be reviewed for financial feasibility and environmental review. Recommendations for funding will be made only for applications that have met all evaluation criteria to the satisfaction of the program.

b) Maximum award amount is $5,000,000. Minimum award amount is $500,000.

c) The application acceptance period for this NOFA will begin on May 26, 2010. Based on the availability of funds, OCD-DRU will accept applications from the date this NOFA is published on an ongoing basis until all funds are expended.

d) Awards will be made as loans with a portion that may be forgiven, except in instances where an applicant receiving an award requires and/or requests an alternate loan structure in order to make the award conform to the requirements of other financing for the same development. (i.e., CDBG funds provided as a grant would reduce tax credit eligible basis)

3) Eligible Activities and Applicants

General Eligibility

To be eligible for assistance under the Project-Based Opportunity Program (PROP), a business must meet the following criteria:

1. Planning to open a new business in an eligible parish or currently open in an eligible parish with plans to expand; expansion is defined as:
   a. renovation, expansion, construction or purchase of a new facility or location (and/or)
   b. expanding capabilities, creating or expanding existing lines of business (and/or)
   c. hiring and training new employees

2. Create a minimum number of jobs per project, to be determined by OCD-DRU based on industry type
3. Minimum annual gross revenue of $250,000
4. Minimum equity investment > 10% of total project costs
5. CDBG funds cannot exceed 75% of total project costs

**Miscellaneous Eligibility**

1. Non-profits are eligible based on the earned income portion of their operation
2. Religious organizations are eligible based on the secular component of their business
3. Bars are eligible to receive awards; package liquor stores are not eligible
4. Single & multi-family residential projects are not eligible
5. An owner may participate in a maximum of 2 projects/awards and the total sum of ownership percentages must be < 100%
6. Eligibility issues that arise during the course of program implementation will be decided by OCD-DRU via the Policy Clarification / Change Form process

**Eligible Use of Funds**

Eligible uses of proceeds include:
1. Acquisition, construction, rehabilitation, installation or reconstruction of commercial real estate
2. Purchase of equipment
3. Purchase of inventory

**Underwriting Criteria**

All award applicants must meet the following minimum underwriting criteria:
1. Satisfactory credit history for all owners
2. Adequate current and/or projected debt coverage ratio (including all new debt service)
3. Personal guarantee of full loan amount is required for all business owners
4. All award applicants must meet the CDBG Underwriting Criteria of 24 CFR 570.209:
   (1) That project costs are reasonable;
   (2) That all other sources of project financing are committed;
   (3) Documentation of need and that CDBG funds are not substituted for non-Federal financial funding or support;
   (4) That the project is financially feasible;
   (5) That to the extent practicable, the return on the applicant’s equity investment will not be unreasonably high; and
   (6) 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 regarding how underwriting should be conducted

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1 Note: there are no objective or absolute measures of satisfaction of these criteria
for these and any other required CDBG criteria.

4) Documentation Requirements and Additional Consideration

PROP Application
All projects must have a completed application on the form provided. Information required in the application includes, but is not limited to:
1. Business description
2. Source and use of funds
3. Project objectives
4. Area(s), industry(s), and people served by project
5. Detailed description of how and how many jobs the project will create
6. Realistic timetable of project start to completion
7. Personal and/or business competences and capabilities necessary to achieve project success and completion
8. Documentation of commitment of all sources of funding (equity/other sources of financing)

Additional Required Documentation
1. A solid business and development plan
2. All current relevant financial information, such as financial statements, and project pro-forma
3. Signed federal personal tax returns for all owners/principals for most recent three (3) years
4. Copy of current government-issued identification for all owners/principals
5. Supporting documentation (i.e. company history, resumes etc.)
6. Proof of business/ownership structure

Additional Required Documentation for Existing Businesses
1. Tax returns for business including all schedules for prior three (3) years
2. Financial statements for last two (2) quarters

Additional consideration will be given for projects that
1. Create opportunities for new small and/or historically disadvantaged businesses
2. Preserve historic structures and/or are contextually appropriate for the neighborhood
3. Provide a critical or essential service to a recovering neighborhood
4. Demonstrate community support
5. Create additional Low to Moderate Income (LMI) jobs above the required minimum
6. Have a positive repayment and compliance history in previous LED/OCD-DRU CDBG programs
5) Ineligible Use of Proceeds

4. Ineligible uses of proceeds include:
   a.) Refinancing of State Bridge Loans
   b.) Refinancing of existing debt
   c.) Payment of any tax arrearages, governmental fines or penalties
   d.) Political or religious activities
   e.) Buying out any stockholder or equity holder in a business
   f.) Buying out or reimbursing any family member
   g.) Purchase of instruments or investments for the sole purpose of a return on investment
   h.) All other activities prohibited in the CDBG regulations in Part 570

6) Site Restrictions

Applicant properties must be located within the 20 impacted parishes directly affected by Hurricanes Katrina and/or Rita.

7) Application Review Process

   Review and Assessment of Applications. Applications submitted for consideration for CDBG Disaster Recovery funding under this NOFA will be reviewed according to the process outlined in this subsection. An Application, during any of these stages of review, may be determined to be ineligible as described in Items 3 through 5 of this NOFA. Applicants will be promptly notified in these instances.

   Eligibility Criteria Review. All Applications will first be reviewed as described above. Applications will be confirmed for eligibility for funding.

   Documentation Submission Review. Applications will be reviewed for documentation. Applications not meeting documentation requirements will be notified of any administrative deficiencies; in each event the applicant will be given an opportunity to correct such deficiencies. Applications not meeting documentation requirements after receipt and review of the administrative deficiency response will be considered incomplete and the applicant will be provided a written notice to that effect.

   Administrative Deficiencies. If an application contains administrative deficiencies which, in the determination of OCD-DRU staff, require clarification or correction of information submitted at the time of the application, OCD-DRU staff may request clarification or correction of such administrative deficiencies. OCD-DRU staff will request clarification or correction in a deficiency notice in the form of an email, or if an e-mail address is not provided in the application, by facsimile, and a telephone call (only if there has not been confirmation of the receipt within 24 hours) to the applicant and one other party identified by the applicant in the application advising
that such a request has been transmitted. If administrative deficiencies are not clarified or corrected to the satisfaction of OCD-DRU by 5:00 p.m. on the fifth business day following the date of the deficiency notice, then the Application will move behind and be processed after all Applications received to that date. The time period for responding to a deficiency notice begins at the start of the business day following the deficiency notice.

OCD-DRU maintains the discretion to allow exceptions in these requirements. All exceptions must be approved by senior management staff.

Financial Evaluation. OCD-DRU shall underwrite an Application to determine the financial feasibility and amount of requested funds needed for the project to arrive at an appropriate level of CDBG Disaster Recovery Funds. In determining an appropriate level of CDBG Disaster Recovery Funds, OCD-DRU shall, at a minimum, evaluate the estimated cost of the project needed based on verifiable estimates from reputable contractors. OCD-DRU shall evaluate acceptable cost parameters as evidenced in the third-party verified scope of work or property condition assessment. Underwriting will include a determination by OCD-DRU, that the amount of CDBG Disaster Recovery Funds recommended for commitment is necessary for the financial feasibility of the project.

Compliance Evaluation. After OCD-DRU has determined that a project is financially feasible, it will be reviewed for evaluation of the compliance status by the OCD-DRU’s Compliance Division.

Site Evaluation. Site conditions shall be evaluated through a physical site inspection by OCD-DRU or a third party designated by OCD-DRU. Such inspection will evaluate the project site based upon the criteria to be determined and the inspector shall provide a written report of such site evaluation. “Unacceptable” sites include, without limitation, those containing an mitigable environmental factor that may adversely affect the health and safety of the residents.

Environmental Review. It will be the applicant’s responsibility to obtain and submit a HUD Environmental Review Record (ERR), completed by an environmental consultant, in accordance with 24 CFR Part 58. As long as the consultant was properly procured, the expenses for this ERR are reimbursable as a line item under soft costs.

NOTE: There can be no choice-limiting actions on the part of the developer/owner until environmental clearance is received, and a Notice to Proceed is issued. The concept of prohibiting “choice-limiting” actions is to prevent the developer from investing in a project before all necessary environmental clearances are obtained. Market studies, environmental studies, plan development, engineering or design costs, inspections and tests are not considered “choice-limiting” actions.

“Choice-limiting actions” are defined as any activity that would have an adverse environmental impact or limit the choice of reasonable alternatives, such as acquisition by the developer/owner (or any subsidiary of the developer), construction, demolition of buildings, or rehabilitation or reconstruction of buildings.
Per 24 CFR Part 58.22, failure to comply with the prohibition against committing funds or taking physical action (using either HUD funds or non-HUD funds) before the completion of the environmental review process could result in loss of HUD assistance, cancellation of the project, reimbursement by the developer/owner to HUD for the amount expended, or suspension of the disbursement of funds for the affected activity.

8) Submission and Review Process

The application acceptance period for this NOFA will begin on May 26, 2010. For questions regarding this NOFA please contact Debra Willis at (504) 556-9793 or via e-mail at debra.willis@la.gov.

All applications must be submitted with all required supporting documentation as described in this NOFA and associated application materials. **Application material must be submitted on a Compact Disc (CD) with one signed original paper/hard copy.**

All Application materials including NOFA, program guidelines, and all applicable CDBG rules, will be available on OCD-DRU’s website at [http://www.doa.louisiana.gov/CDBG/dr/drhome.htm](http://www.doa.louisiana.gov/CDBG/dr/drhome.htm).

Applications will be required to adhere to the CDBG Rule and threshold requirements in effect at the time of the Application submission. Applications must be on forms provided by OCD-DRU, and cannot be altered or modified and must be in final form before submitting them to OCD-DRU.

9) Contract Administration

Any activity funded under this NOFA will be governed by a written Contract that identifies the terms and conditions related to the awarded funds. The Contract will not be effective until executed by all parties to the Contract. Any amendments must be in writing. The Contract will include provisions to ensure compliance with 24 CFR Part 570.

**Applications must be submitted via overnight delivery or the U.S. Postal Service to:**

**Louisiana Office of Community Development**  
**Disaster Recovery Unit**  
**Attn: Debra Willis**  
**1450 Poydras Street, Suite 1441**  
**New Orleans, LA 70112**