

CDBG Working Group

DRAFT Meeting 8 Summary: April 18, 2013

Members: Chris Hall, Rob Wood, Joni Boissonneault, Tae Chong, Julie Chase, John Shoos, Ed Suslovic

Staff: Amy Pulaski, Maeve Wachowicz (note taker)

Meeting Summary

Tae moves to accept the meeting summary from April 4th. Ed seconds and all vote in favor.

HUD Regulations

Amy tells the group that she had a productive conversation with the HUD representatives in Boston that clarified some of the concerns from the last meeting about how the funds can be spent for this initiative. They were also encouraging about the initiative and thought it was innovative.

According to HUD, eligible activities for microenterprises using Development funds include assistance to the recipient, either directly or through a public/private organization, in order to further economic development. That assistance can be credit, such as grants, loans, or other financial support, technical assistance, or support such as childcare, counseling, transportation etc. So the activities that previously had been under social services can all be paid for out of Development funds when it comes to microenterprises. Amy says that since microenterprises would not be combining Development and Social Service funding categories, they do not necessarily need to be included in this set aside, which is something the group can discuss.

She continues to explain how the Development funds could be used for business expansion and the creation of net new jobs. HUD regulations allow for the “provision of assistance,” which includes money for expansion, technical assistance, renovation, or equipment purchasing. In other words, something that allows the business to fill a need that then enables them to create jobs. One example of this kind of project that CDBG has funded in the past is Hot Suppa, which renovated and expanded their kitchen so that they could open for dinner service, which resulted in them hiring 8 new employees.

In addition, Development funds can be used for “economic development services,” which include screening, referring, placing, and training applicants for employment. Therefore, the scenario discussed at the last meeting of a partnership between a social service agency and a hotel to train and place LMI people in hospitality positions would be eligible under this program with the Development funds going

for training, and Social Service funds being used for job retention support such as childcare, transportation, etc.

However, HUD pushed back against having multi-year grants. But they have not yet made clear whether multi-year grants are against regulation or just not preferred. Currently, the City offers multi-year grants, so for now, they can remain part of this initiative.

Discussion of Conditions/Limits

Ed asks for clarification of whether the 2 grant minimum limit still stands, because it was his understanding that after the last meeting that had been eliminated, but the documents and the meeting summary do not make that clear. The group is still mixed about that point, and returns to it later.

Amy brings up the question of whether the funding should be loans or grants. One member thinks repayment could be optional depending on the recipient's resources. Another member says loans can be beneficial to New Americans so that they can begin to build credit and financial assets. There is discussion of microenterprises receiving loans, while the partnerships using Development and Social Services would receive grants.

Ed thinks that since the ultimate goal is getting a certain demographic into jobs, there should be maximum flexibility in how the funds are allocated so that applicants are incentivized to take on working with those populations that need the most help to move in to employment. He suggests using a point system that allocates bonus points for working with difficult populations, which would relieve them of having to repay the funding. He also suggest a sliding scale of repayment. Others suggest giving bonus points for those that *can* pay back the funds. The group discusses how those two different bonus points models would incentivize and reward different things, e.g. those with capital over the target populations or vice versa.

Discussion of Microenterprise set-aside

The group discusses what the benefits would be of separating out the microenterprises aspect. Amy says that the ROI for a microenterprise is very different than that for an expanding business. However the group agrees that microenterprises should be kept in the same pot as long as it is clear to the allocation committee what the differences in ROI are between the two kinds of projects.

One member says that this program is not trying to generally do economic development, but is specifically focused on job creation for the target populations so rewarding the higher quantity of jobs created should be the priority for allocation. Another member advocates for the separation in order to have more than one recipient and to ensure that different projects are funded. The member does not think straight ROI and number of jobs should be the only determinant of the value of

a project, but also new partnerships, new initiatives, and new thinking. Amy says that the group can include in their report that other economic development applicants can still apply for the normal Development funding stream.

Discussion of microenterprise stabilization

Tae points out that in the HUD regulations, stabilization of microenterprises is an eligible activity. The group discusses whether it should be an eligible activity of this program. The group talks about the different ROI involved in stabilization and impact investing. The group decides to find out more information about stabilization from other CDFIs and Amy's counterparts in other communities before making a final decision about keeping it in the initiative.

Review of Working Group Recommendations

Amy suggests going through the recommendations sheet one by one to hammer out some of the details being discussed. Ed proposes adding the priority populations to the wording of goal 2. The group agrees.

Now that microenterprises do not need to utilize social service funds, the group decides to alter the budget requirements condition to say that applicants *must* require a combination of funds, *except* for microenterprises. The group also decides to stay with a minimum of two grants in order to have a variety of projects for the first year.

The group decides to change the number of years of funding from 2, to 1 *or* 2 for more flexibility. A two year grant would mean two funding allocations, while a one year grant would mean 1 allocation with 2 years to spend it.

Julie tells the group that Beth has spoken to Jim about an ROI calculation worksheet. Julie will send Jim's contact info to Amy in order to get a copy of the worksheet. If that worksheet does not fit the group's needs, plan b is to calculate ROI by multiplying the number of jobs created by the salary, and subtract the allocation amount.

Turning to the criteria, Amy clarifies that the criteria will be incorporated into the scoring mechanism. The group decides that criteria #5 can be eliminated and will change "work plan" to "business plan" in #3 to ensure that budget and financials are included. Priority will be given to higher percentages of LMI, homeless, new Americans, and single parents.

One member asks if an allocation is a loan, would the repaid funds go back in to the program? Amy confirms that it would be program income and could be directed to continue funding this set aside. Tae asks if loan repayment and future program income could be calculated into ROI. The group agrees it should not and Amy says loan repayment would be considered as part of the application and could accrue bonus points, but not be calculated into ROI.

Security interest is currently 5 years. The group agrees it should be 2 years, or 1 year past final job creation.

Review of Working Group Report Draft

Corrections include that Julie is Interim Dean not Associate Dean, and that it is the Portland Regional Chamber (no “of commerce”). Recommendations and rationale will be edited/added based on today’s meeting. Implementation, impact, and conclusion also need to be addressed.

Members agree that there should not be a separate allocation committee for this initiative and the normal funding streams. Amy asks the group if they think the Portland Development Corporation should be involved, but the group does not think that is necessary. Chris suggests getting thoughts on the recommendations from Greg Mitchell (Economic Development) and Doug Gardner (Social Services). The group thinks the impact section should include the Mayor’s vision for the initiative, and what the Working Group set out to accomplish, as well as the fact that HUD sees this as an innovative strategy in this economy.

Amy will send the draft of the report to the group for comments and edits before it is finalized.

Next meeting

May 2nd 12-2pm in City Hall room 209. Lunch will be provided. On May 8th at 5:30pm is the presentation to the HCDC. Ed says it can be a workshop format to allow for dialogue between the Working Group and the Committee