

**Resources for CED Projects
2014 Prospective Grantee Webinar Series
May 8, 2014**

Operator: Please stand by. Good day and welcome to the Resources for CED Projects conference call.

Today's conference is being recorded. At this time I would like to turn the conference over to Lara Malakoff. Please go ahead ma'am.

Lara Malakoff: Hi everyone. Thanks for joining us today. This is the third Webinar in a series that provides prospective applicants of the Community Economic Development program with information about the CED programs, information about partnerships and resources to support CED projects; and details about the 2014 CED and CED HFFI grant competition. Today's Webinar will discuss resources to supplement Community Economic Development projects and CED funding. Again my name is Lara Malakoff. I'm with ICF International and I'm joined by our partners at OCF. And we're also pleased to have two speakers on the line today to discuss the topic of resources.

There will be a question-and-answer session at the end of the call. And during the Q&A session you can either ask your question over the phone by pressing Star 1 or you can type your question into your live meetings screen and we will answer them that way. If there are any questions that we do not get to or that we're not able to address on the call today we will be sure to record those and provide answers to those questions in writing via email following the call. And we'll send those out to the whole group when relevant. Please also note that this presentation will be recorded. And we will send out the recording as well as the PowerPoint slides following the call. So now I will go ahead and introduce our two speakers.

First we have Ms. Pamela Foster and she will provide an overview of possible sources of funding to supplement CED funds for Community Economic Development project. Ms. Foster is a small business owner, published author and founder and President of Results Unlimited - a women and minority business enterprise that provides program evaluations, training and technical assistance. Her clients include community development corporations, community action agencies, non-profits and membership organizations. Ms. Foster has been a member of the OCS Technical Assistance team for the past several years.

We've also got Ms. Brenda McDaniel, Executive Vice President and Chief Financial Officer at Kentucky Highlands Investment Corporation. Ms. McDaniel is responsible for the financial accounting, compliance and legal functions of Kentucky Highlands and its subsidiaries and affiliate companies. She served as liaison with attorneys, accountants, financial institutions, tax professionals and other consultants as well as State and Federal government official. Ms. McDaniel is involved in developing strategy for Kentucky Highlands and compliance with agreements. Kentucky Highlands has written multiple CED grants from OCS and Brenda will discuss her experience assembling resources from multiple sources for CED projects.

Following the presentations from Pamela and Brenda we will briefly discuss how that information presented today, impacts your CED project application and then we will open the floor to questions. So with that I will go ahead and turn it over to Pamela.

Pamela Foster: I'm sorry I guess my speaker on my headset wasn't working like I thought. So yes I am here. Now when we talk about the resources we're talking about the financial resources. So that's what we're really going to focus on today are the financial resources for CED projects. And I'm going to give you a brief overview. And as we look at the financial resources there's a few things that every organization should do before the grant application process begins. There's certain things you have to do. And you want to look at your own financial.

Do like a financial assessment for your organization before - not what you think it's going to look like two months from now if you get the grant funding. But you want to look at it based on your actuals. And the reason you want to do that is because your financial situation is tied to your long-term existence. It's going to be - determine the ability you have to engage in your CED project and have a sustaining project. Also if you're going to be able to attract partners; because when you apply for your CED funding you may need partners. And you want to be able to attract them so look at your financial position. And you want to look at it as well to see if you're going to be successful provided that you get the CED funding.

And we want everyone to be successful. So there's certain things that you're going to look at. You're going to look at the purpose of your funding. What is the purpose? That's all in your assessment. The level of funding that you need. You may look at it and you determine what is the amount of a CED project funding that you're going to seek from the OCS. And you're also going to look at the - if I go to a bank, if I go to a credit union, if I write a grant and I need funding - what level do I need. And also do you need a grant versus a loan? And it's not a one-size-fits-all. You could do a combination of both. You might find that you need both a grant and a loan to be successful on your CED project. And you may need more than one grant. You may need a loan from a bank, but you may need more than one grant to couple with CED funding. So you want to look at those things. Think about your financial partners. A lot of times we think only of a bank. We think of the big banks. We think of banks like Bank of America or Wells Fargo or just some of the super-huge banks that we have - Chase.

And we don't consider the small community banks. And I know a lot of small community banks in your area; they seem to be a little more prone to want to work with organizations that are doing community and economic development. And they seem to be a little more positioned, better positioned to work because some of the larger banks have a lot of financial baggage; a lot of loans on their books and they're thinking well let me shut down and shy away from lending.

So think about your banks. I'm not saying don't go to a large bank but if you have a small community bank who's eager to work with you, you should explore it. Also you want to look when you think about a financial institution be it a bank, a credit union or CDSI - where do you have your current relationship? If your current relationship is with Bank A, that might be the first bank that you go to when you discuss what do I want to do. But before you even go to the bank and I'm going to back into it, there's certain things that you should look at as well.

All right. Then the second one on our list are credit unions. Sometimes credit unions are a little bit more friendlier than the large banks. And also is CDSI's. So if you currently - and some of the entities who apply for CED funding they have CDSIs under their organization umbrella. So you want to look at that as well. So think about your financial institution and as we go through the financial initiation we're going to think about what do they require of me. So as I said you may have a current relationship, so you know your banker. Whether they're a large community bank, a large regional bank, a national ((inaudible)) bank - know the banker that you work with. Find out what are their requirements. They all have requirements. They have lending requirements and they have financial ratios that they think about before they even consider lending to you.

Look at your debt and look at your capacity to service that debt. Can I pay it back? And then you also - because they're going to look at those things - you want to look at it before they look at it. Also you want to find out what are the loan terms of that financial institution. What type of payback do I have? Will it be interest only? How long will my terms be? How long can I spread it out for? So you want to think about those things.

And as a financial institution when you go to them they are going to look at your financial position. They're going to look at some key financial terms and some ratios on you to find out how strong are you. And they're evaluating you based on the numbers, not your narratives, but your numbers. And they're going to look at your current and liquidity ratio to see what is your ability to pay back your, you know, how well are you paying your current bills now and then they're also

going to do some projections on you to look at how will you be able to pay back if they lend you money. They're going to look at your cash flow and, you know, various ratios, possibly your coverage ratio, your leverage ratio. They're just going to look at a host of things that you want to be positioned to be able to present the story you need to present to get the funding if you need a loan coupled with your CED funding.

There's also, aside from the loan aspect, possibly foundations. You may have some private foundations, some community foundations in your local community or corporate foundations from a financial institution, from another company - an insurance company or, you know, any other entity that has a nice corporate foundation. But when you look at the foundations they too have requirements just as the loans at the bank, the funder did, the lending institution did, the potential funder would have requirements as well. And sometimes it's so easy to think I'm just going to go to ABC Foundation and apply. A lot of the larger foundations it's by invitation only. So it's not an immediate I'm going to walk in, give them this great letter about what my project is, who I am as an organization and they're going to immediately fund me. And it's also a relationship situation. So you have to find out what is required of me. What's the criteria? And do I currently have a relationship - some form of relationship with that potential funder?

And sometimes the relationships are easier to build with your local community foundation or the local community bank or the chapter of the bank that's in your city or your town or that you're close to. So look at those things as well. Big foundations are always not the answer. People think they are. They say well that bank has to have CRA credits, they have to lend to me. And a lot of times our banks are not getting their CRA credits by giving a loan or a grant rather to an entity that is providing services that would give credits under this CRA regulation. So you want to make sure. Sometimes they're doing their funding through other vehicles and gifting dollars through other vehicles that will also give them the CRA credit. So don't put on that hat think that it's an automatic that you're going to get it because of what your project is going to do and the job you're going to create and who they're going to create jobs for.

Look at your city, your state and other federal potential partners. Sometimes there may be CDBG programs that you can fund with with your city. The State may get the dollars from the Federal level or from HUD and they trickle down through your state and through your city. Sometimes you have a United Way that is very open to also advancing the work of community and economic development. So you need to do a little bit of homework, explore, do some assessments and find out who's out there, what is my potential project going to do, what are the jobs they're going to create. So if - and find out who is more sensitive and prone to that area of what you're going to do.

And I get a little charred about like grant versus the loan. And it's not that one is better than the other. I like grants because I don't have to pay it back. But at the same time they both have missions, funding missions and criteria. And they both have terms. You could have a grant that may be a one-time hit or you could have one that may come back and partner with you for a period of time - a couple years. But you have to make sure that through your homework that you are aligning the mission of that entity that's granting the collars to what you are projecting to do. And also you may have reporting requirements back to that funder who is providing the grant as to how well are you meeting the objective that you stated that you were going to meet.

Just as with your CED project and your reporting back. So you have to keep those things in mind. Also when you think about a grant - if I step back one moment - think about the grant or the loan - no one is going to give you 100%. Financing or funding - whether it be a grant or loan. So you have to have skin in the game, you have to demonstrate your skin in the game and show your capacity to take on what you may take on. Do you want to - when you approach - and I talked about doing your homework. Do your homework. Be very specific. From a granting perspective larger foundations have a common grant application. Be familiar and they're going to ask you and they call it a Common Grant Application because it can be pretty much picked up and taken one sound base into the other.

So they're going to be very specific things that they're going to ask of you. They're going to have very specific deadlines, specific CED project grants. If it's due at a certain time you cannot get it in the door the day after or two days after or a week later and still think that you're going to be considered. And they have very specific things that they're going to fund. And so as you're looking at potential partner - be it a foundation or a lender - you have to make sure you ask yourself am I prepared to apply for that loan or that grant. Do I have the capacity to administer what's given to my organization? Do I have the capacity to pay back the loan?

Those are some of the things that you're going to ask yourself. You're going to put your documents in order just as you're doing for the CED application, you're not waiting until the day it's due to start working on it. You're going to put your ducks in a row, you're going to read the request - be it the loan request or the grant request. You're going to read it one time, you're going to read it again and again to make sure that you're meeting all the criteria that's laid out for you to meet. And you want to make sure that your organization does fit the criteria.

I talked a little bit about CDBG funding. There may be Annie Casey Foundation out there. Some employers - some of the large companies founder because of this whole economy. And small businesses and your job creation focus that you have - they have avenues out there that may connect you too through their foundations - but you have to do the research first. Now remember there's no one size fits all. Just because you used one funder last time or you know of another entity in town that's using a funding entity it might not be the right one for your project or your organization.

And as I wrap it up with my overview I say that the only difference between the wrong way and the right way to reach your goal or get your funding depends on where you're coming from. So just do a little bit of research and get your things in order but (fiscal) is very important. And making sure that your financial ratios are where they need to be so that when you seek funding

from a lending institution or funder for a grant that you're straight. Now I'm going to hand everything over to Brenda and I will advance one slide for you Brenda.

Brenda McDaniel: Thank you. What I'm going to be talking about it lessons learned in particular from CED projects. We have received several - I guess multiple - CED awards because we have been in business since 1968. And we were formed really by the predecessors of the Office of Community Services. So we have been at this for a long time. We're located in Southeastern Kentucky in a rural area. So a lot of these financial resources that we've been talking about don't really apply to us because we don't have big foundation funding. And we don't have a great many big banks.

So the projects we pick out are a little bit different than they would be in an urban area. Kentucky Highlands - we invest in both start-up and growing companies. For the CED awards we prefer to do an existing, growing company because of the stage they're in - they can provide the jobs immediately and not have to wait on construction or to get - to be a startup. Because sometimes it takes a couple of years to get started and hire people; So we prefer projects that are with existing growing companies.

We've created about 19,000 jobs in our history. And they're from predominantly filled by low-income individuals because of the type of projects we use. They're usually manufacturing, service industries. We have quite a few call centers and some healthcare. And those are large employers. And recently we have structured our request as a grant to Kentucky Highlands and a loan to a non-construction business for an expansion project. And the project should be ready to go. And we need some that will effectively meet the LCS requirements which are that, you know, they hire 75% low-income people. So they have to be projects that would meet that. Sometimes high-tech projects don't meet that. Sometimes healthcare projects don't meet that. We have to fund one that will meet that specific need. And we choose projects that have other financial partners or we'll help them find financial partners. And those are people like Pamela has already discussed.

And the other thing that we have that we haven't discussed is referral partners. Because if you're going to hire a lot of people the companies really need to find people who are involved with low-income applicants. And so our referral partners are usually - are State Employment Services, (PANIF) Office and Child Support Office and Career and Job Training Services. And also like community colleges. So we will contact those people and in fact before we submit our application we enter into a third party agreement with those entities. We plan for our loan closing during our application process and we give the company the terms and the other reporting requirements because we have to know that they will - and they have to agree to hire low-income people before we can enter into the projects.

So after approval, after we do the application and we enter into all these agreements (priority) remember the company doesn't know and we don't know and the referral partners don't know if we'll actually get funded. So there's a time lapse between the time you apply and the time you get approved. But after you get approved, after you've been successful we visit the company and tell them that we've been approved. And we conduct a training for them on how to report to us so that we can report to OCS what the - about the hiring low-income people because that will be one of the requirements.

We provide the company with a survey that they hand to all their employees as they hire them. Whether they meet the criteria or not and have the person sign them. And the other way to verify that is if you work through the (PANIF) Office or some of those they can verify the employment or their status as low-income for you. So, but they should provide that information from you. And there's a spreadsheet that we require that we send to the companies and they fill those out as they hire people that also feeds into our reporting to OCS. And then we inform the referral partners like the State Employment Service and whomever that we've received the award and they can start referring people.

The next slide is an example of our tracking spreadsheet that we use for the - so that we'll know when we've met the correct number of low-income people. And you have to do this for the entire grant period which for a non-construction project is three years. OCS additionally has a tool that they provide that help with this. But we use our own that we have developed over time. And the rest of the information we give you is prior to closing a loan, if you were to get awarded, the LCS will provide you with a - on their grant award will list any restrictions that they have and will tell you what you need to submit to them before you can draw down funds.

You have to submit a disposition of asset plan of loan because even if you give a company a loan you still have the Federal Reversionary Interest that will last for actually 15 years; three years of the grant period and then 12 years after. And then you set up an account with Payment Management System which is independent of OCS that they will provide you information on how to do that. And we have to make sure that when we get the funds we account for them separately in a separate general ledger account.

So after we draw down funds you have to close the loan within three business days because you can't just draw the money and have it sit there. You have to be ready to close the loan when you draw down the funds. And then we again make sure the company knows that we - of all the reporting requirements that they have to do to us because we have to - are required to do the reporting to OCS. Then we have to send in the copy of all the executed loan documents to OCS. And then during the entire grant period we have to report all principal interest payments to a restricted fund. And that grant period lasts three years.

On the reporting we encourage our companies to give us the spreadsheets and the information on the employee's monthly because our reporting is six months. So especially if they're hiring a large number of people it gets real burdensome if you have to do it all at once. We confirm that they - the low-income eligibility information into the spreadsheets and we also have to add if for instance if the people get benefits and what the benefits are and if they get any ownership- if

they're able to get ownership, you know, retirement - all that, we report all that on our spreadsheet.

We and the company are required to, I guess create positions is what they're called. And that doesn't necessarily mean the number of people that you hire. And this gets a little bit complicated but to them the person has to be there for six months in order for it to be counted as a job. So that gets a little bit tricky but, you know, you can hire a whole bunch of people and still just have one position. That somebody may just work six weeks and quit and then you hire somebody else. So the position is really what you're counting as a job.

And the other thing is you have benchmarks that you have included in the application that you have to track whether you've met those behind. And if you haven't met them or and, you know, if the grant period is three years things are going to change so you should - you have to let OCS know that. And you have to, you know, request an extension or whatever but. And you can also request technical assistance if it happens to be over your head. And I guess that's about all I have Lara unless anybody has some questions ((inaudible)) later.

Lara Malakoff: All right. Thanks' Brenda and thanks Pamela. So now let's take a few moments to talk a little bit more about the resources for going into these projects and kind of how that impacts your CED project and your CED application. So first I do want to point out that OCS acknowledges that not all CED projects will require outside funding. But there are several important things to think about when considering incorporating both CED and non-CED funding into your project application. One is that CED funds can help leverage additional outside funds from banks, foundations, local, state and federal sources like the ones that Pamela mentioned earlier. And it really can help leverage these funds by mitigating the risk to the external funder. So that CED funding really helps external funders feel confident in providing additional funds. Also commitments from external funders can really contribute to a stronger application; especially when those commitments are not conditioned on other funding. And one thing to keep in mind

when incorporating both CED and non-CED resources into your project is the important of making sure that all of the money going into your project work together and is consistent with the project activity that you describe in your application. So for example you really want to take a look at whether the amount of funding going into the project is reasonable for the number of jobs that you'll be creating. Or is the amount of funding reasonable for the number of businesses that you intend to create or expand.

And so if your project is one that does include non-CED financing then you really need to provide evidence in your application that all capital requirements have been met and that the funding is not conditional on other funding sources.

So a few ways to demonstrate evidence of non-CED financing in your application would be through commitment letters that describe unconditional financial commitments from loans, municipal, federal or state tax credits, equity stock investments or other supporting grants and investments. You might include the applicants' financial statement of cash available showing the ability of the applicant to contribute and non-CED cash resources that are needed for the project. Or documentation of in-kind contributions of personal property and a demonstration of how the value of those contributions was arrived at through techniques such as an inventory evaluation for equipment or a certified appraisal for real property.

So your non-CED financial commitments - they can be noted in your project description of your application but you must also include documentation as we discussed above in the appendix of your application. So you'll actually need to include those commitment letters or other documentation of those committed funds.

And then one final thing to note is when assembling resources for your project you'll also want to remember that you must show that future program income is not necessary to meet the funding needs for project implementation. So you can use program income to help sustain the project but

you must show that all project implementation costs are covered by CED and the non-CED funding that needed document in your application.

So those were just a few notes to kind of think about how to incorporate this information into your CED application and now we will open the floor for questions. If we don't have time for your question or if a question comes through that we need to kind of do some additional research and follow-up on we will be sure to provide a follow-up email with those answers in writing. And we will, as I mentioned, send that out to the full group following this Webinar. So with that lets open up the line for questions.

Operator: Thank you. If you would like to ask a question, please signal by pressing Star 1 on your telephone keypad. If you're using a speakerphone please make sure your mute function is turned off to allow your signal to reach our equipment. Again press Star 1 to ask a question and we'll pause for just a moment to allow everyone an opportunity to signal.

Lara Malakoff: And while we are waiting to see if any questions come into the queue I just want to mention that you will want to stay tuned for the final Webinar in this series for prospective applicants. It will follow the release of the 2014 CED and CED HFFI funding opportunity announcements. This Webinar has not yet been scheduled but we will be sure to send out an email to let you know the date and time once that has been confirmed. And in case you missed any of the other two Webinars that we've done in the series, you can access those presentations and the recordings of each one on the OCS Community Development Website as www.osccommunitydevelopment.org. And that's where you will also find the recording of today's Webinar once it becomes available. So do we have any questions on the phone?

Operator: We do not. But once again that is Star 1 to ask a question.

Lara Malakoff: Well we'll just give it a few more minutes and in the meantime I would like to thank our speakers, Pamela and Brenda. Thank you for sharing about your knowledge about resources for a CED projects and your experience as a CED grantee.

Brenda McDaniel: Thank you.

Lara Malakoff: And if we don't have any questions, Pamela or Brenda, any final comments?

Pamela Foster: I just think it's important when you seek partners for ((inaudible)), financial partners rather you have to have your shop in order. You have to be able to demonstrate it's in order so that you can take on a new capacity.

Brenda McDaniel: Yes this is Brenda. And the referral partner should tell you - need to, you know, to be in touch with them. That it shouldn't be the people who referred people for employment - they shouldn't be a stranger to you I should say because when they are it's like they, you know, suspect that your project may not go through.

Lara Malakoff: Okay, well if we do not have any other questions then I guess we will go ahead and conclude this Webinar.

Operator: There are no questions at this time, thank you.

Lara Malakoff: Okay, I think we can wrap up then.

Brenda McDaniel: Thank you.

Operator: This does conclude today's conference. We thank you for your participation.