STATE OF ILLINOIS

Action Plan Amendment No.5

November 01, 2010

Supplemental CDBG Disaster Recovery 1800 ("Ike") Funding
From the Supplemental Appropriations Act
Public Law 110-329, 2008
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GOVERNOR PAT QUINN
STATE OF ILLINOIS

Illinois Department of
Commerce and Economic Opportunity

ILLINOIS CDBG "IKE" ACTION PLAN AMENDMENT (NO.5)

NOTE- The minimum loan award threshold has been lowered from $1000 to $500 through this revision of plan amendment #5. See Clause 3- "Loan Size Limits" at page 4 below. All other aspects of the Ike-BAP program remain consistent with the original content of Plan Amendment #5 as described here.

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Through this Community Development Block Grant (CDBG) Disaster Recovery (DR) 1800 ("Ike") proposed plan amendment, Illinois is providing for greater flexibility in awarding "Ike" funds through the methods outlined below. This request reflects Illinois' commitment to utilize and award "Ike" funding in a manner that best supports the needs of Illinois residents and communities, and that can be assisted with CDBG Disaster "Ike" program funding.

To further support the needs of Illinois communities within the *Federally-Designated Areas Eligible for CDBG "Ike" Assistance* (**Exhibit A)** the State of Illinois is proposing to make revisions described below to Illinois' CDBG "Ike" Disaster Recovery Action Plan- Business Assistance Program (BAP) component.

Public Comment Period

In accordance with CDBG requirements, DCEO has posted draft changes to the Illinois CDBG Disaster Recovery Action Plan in order to provide opportunity for public comment. The proposed Amended Plan for the Business Assistance Program is available on DCEO's website, at http://www.illinoisbiz.biz/dceo/Bureaus/Community_Development/CDBG+Disaster+Recovery+Programs/.

Interested parties should feel free to submit comments in writing or via email to DCEO. Comments may be directed to: Maureen Palmer, Deputy Director, Office of Community Development, DCEO, 100 West Randolph, Suite 3-400, Chicago, IL 60601, or emailed to maureen.palmer@illinois.gov, with "Public Comment to Ike Plan Amendment No.5" in the email subject line.

Preface to the Proposed "Ike"- Business Assistance Program (BAP) Changes

Illinois will continue to devise creative methods to support small businesses within its communities. With an increased understanding of the needs of communities eligible for Illinois' Ike Disaster Recovery program funding (see Exhibit A), Illinois is proposing to redesign the "Ike" Business Assistance Program (BAP) component, by creating a small business loan program that will target new and existing small businesses with 50 or fewer employees. Small businesses will be required to create or retain one or more full-time-equivalent (FTE) jobs, or demonstrate a public benefit to the local community.

The Ike-BAP program component amendment is detailed on the following pages:

Illinois CDBG "Ike" Action Plan Amendment (No.5)

4. "Ike" Business Assistance Program Component-- Implementing the Small Business Loan Assistance Program

The **previous** parameters for the Ike Business Assistance Program were as follows:

Illinois' Ike Business Assistance Program

Allocation for all Business Assistance Program activities: $5,000,000

The purpose of the disaster recovery business assistance program is to provide financial assistance to employers whose existence is threatened due to unmet needs in one or more of the following areas: To provide financial assistance to businesses located in or planning to locate in a business rental space that was physically damaged by the 2008 natural disaster(s).

Business Rental Assistance: This program element of the overall Business Assistance activity is for businesses remaining in or locating in rental space that was physically damaged by the 2008 natural disaster(s). Assistance is in the form of rental assistance to help offset building rental lease payments for a maximum of six months, plus associated business expenses such as machinery and equipment, office furniture or computer hardware to replace damaged equipment, or for startup businesses. Awards are not to exceed a total amount of $50,000 per business. In-home businesses are not eligible for assistance.

Loan Interest Expense: This program element provides funds to pay for interest costs of businesses who obtained SBA or private lender loans for disaster recovery. The continued existence of many businesses is threatened by the expense of new debt acquired as a result of the disaster. This problem is made more acute by the recession. Funds will be provided to individual businesses, for a maximum of three (3) years, not to exceed $50,000 per business.

Commercial Rental Income Gap: This program element is designed to assist with cash flow for commercial building owners to offset loss of revenue from vacant rental space that was physically damaged by the disaster. Up to 12 months lost rent are available to commercial landlords, up to a maximum of $25,000 per unit.

Residential Landlord Business Support: This program element is designed to compensate for lost rental income for residential landlords providing affordable housing, whose rental units were physically damaged by the disaster. Landlords may receive up to $15,000 per business.

1. Allocation for Activity: $5,000,000
2 Eligible Applicants: Small businesses impacted by the floods and storms. Selected administrators will administer the business assistance program within a respective geographic area.
3. Individual Grant Threshold and Selection Criteria: All administrators showing capability and experience with business assistance programs, as evidenced by successful administration of the “Small Business” programs will be considered through a RFQ process.
4. Program Grants: Funds will be awarded to selected administrators on a first-come, first-served basis, based on amounts needed for business applications approved and forwarded to DCEO.
5. Eligibility: 105(a)(17)
6. National Objective: Must meet either: LMI (51%), urgent need, slum/blight national objective..

Illinois' Ike Business Assistance Program

Illinois' "Ike" Program Plan Amendment (No.5) will redesign the Business Assistance Program (BAP) component to create a small business assistance fund to provide loans and related technical assistance to businesses with 50 or fewer full time employees. The state will select one or more qualified community development financial institutions (CDFIs) to receive BAP grant funds for the purpose of approving loans and providing technical assistance to small businesses.

BAP Loan *Servicer(s)* (CDFIs):

1. Eligible BAP Grant Applicants:
   i. Non-profit lending institutions, certified as a community development financial institution (CDFI) and meeting the HCDA 105(a)(15) eligibility requirements.

2a. Threshold Criteria (HUD National Objective):
   i. A minimum of 50% of the loan funds approved by the CDFI(s) will support small businesses that are, or will employ 51% or more low-to-moderate income individuals, or
   ii. A minimum of 50% of the loan funds approved by the CDFI(s) will support small businesses that are, or will employ 51% or more low-to-moderate income individuals; and/ or provide a public benefit[1] on behalf to 51% or greater low-to-moderate income individuals.

3b. Selection Criteria:
   i. The CDFI has experience in successfully servicing loans funds on behalf of small businesses similar to, or matching those targeted by the BAP program,
   ii. The CDFI is capable of beginning and operating the program in the timeframe specified by DCEO,
   iii. The CDFI has a loan office, or can establish a loan office in one or more of the communities within a defined BAP region.[2]
   iv. The CDFI has a successful loan portfolio and business history, per assessment by DCEO, and its company resources can successfully support the BAP program,
   v. The CDFI's existing and/ or proposed small business lending policies match the objectives set forth for the BAP program.

3. Grant Size Range: $500,000 - $3,000,000.[3]

4. Eligibility: HCDA Sec.105(a)(15).

BAP Loan *Recipients* (Small Businesses):

1. Eligible BAP Loan Applicants:
   i. The small business is currently located in, or will locate in, a community that falls within an Ike-eligible Illinois county (those declared by FEMA in 2008). (See Exhibit A),
   ii. The business employs at least one, but no more than 50 full time employees.

2a. Threshold Criteria (HUD National Objective):

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[1] Ike program waivers are currently pending final approval by HUD; among those include the public benefit option. This option cannot be utilized by DCEO or a loan servicing agent prior to HUD approval of all waivers. DCEO and its BAP loan servicing agents reserve the right to limit the use of the public benefit option.

[2] DCEO is currently considering two BAP program regions to support the 41 counties (and communities therein) under the BAP program. BAP Region I will tentatively include Cook, DuPage, Lake and Will counties. BAP Region II will tentatively encompass the remaining 37 counties eligible under the Illinois "Ike" program-- see Exhibit A.

[3] Based on the counties the CDFI will be responsible for supporting, the number of CDFIs supporting same counties and the assessment made by DCEO based on discussions with the CDFIs under consideration.

i. A minimum 51% of jobs created or retained by the business will be for low-to-moderate income individuals, *or*
ii. The business will provide a public benefit[4], through the delivery of the services or product to be assisted with the BAP loan, on behalf to 51% or greater low-to-moderate income individuals, or
iii. The business will create jobs in an area defined as a slum/ blight region of a community.

2b. Selection Criteria:
i. The small business meets the lending terms and underwriting criteria established for the program,
ii. The small business will provide all requested documentation requested by the DCEO-selected loan servicer,
iii. The small business will comply with all requests for information, documentation, etc prior to loan approval,
iv. The small business will agree to all requirements for loan award as described by the DCEO-selected loan servicer, such as regular reporting, loan repayment, etc.

3. Loan Size Limits:
i. Small business start-ups: **$500**- $50,000, per individual loan award, *or*
ii. Existing small business: **$500**- $75,000, per individual loan award.

4. Eligibility: HCDA Sec.105(a)(17).

[4] See footnote #1 regarding "public benefit".

Exhibit A

Federally-Designated Areas Eligible for CDBG "Ike" Assistance

The following Illinois counties were declared eligible for federal assistance in the three 2008 Disaster Declarations:

Illinois Counties Declared Under FEMA-1800-DR

1. Bureau County
2 Cass County
3. Cook County
4. DeKalb County
5. DuPage County
6. Greene County*
7. Grundy County
8. Kane County
9. Kendall County
10. LaSalle County
11. Macoupin County
12. Montgomery County
13. Peoria County
14. Scott County*
15. Will County
16. Woodford County

Illinois Counties Declared Under FEMA-1771-DR

1. Adams County
2. Calhoun County
3. Clark County
4. Coles County
5. Crawford County
6. Cumberland County
7. Douglas County
8. Edgar County
9. Greene County*
10. Hancock County
11. Henderson County
12. Jasper County
13. Jersey County
14. Lake County
15. Lawrence County
16. Madison County
17. Mercer County
18. Monroe County
19. Pike County
20. Randolph County
21. Rock Island County
22. St. Clair County
23. Scott County*
24. Whiteside County
25. Winnebago County

Illinois Counties Declared Under FEMA-1747-DR

1. Iroquois County
2. Livingston County

* Greene and Scott counties were declared under both the FEMA 1771 and 1800 declarations