**OVERVIEW OF THE ECONOMIC DEVELOPMENT PROCESS**

## I. INTRODUCTION

Each year, a portion of the annual ACEDP allocation is set aside to fund the Economic Development Set-Aside (EDSA). The primary focus of the EDSA is the creation of job opportunities for low and moderate income (LMI) families. Another activity that is funded through the EDSA is downtown revitalization. Funding for this activity is rare and must meet the national objective of preventing or eliminating conditions of slum and blight and have a significant level of investment, both public and private, directed to resolve the identified problems in the downtown area.

Grants awarded through the EDSA normally fall into two general categories:

1. Infrastructure support for a new or expanding industry, and;
2. Loans for fixed asset financing.

This chapter of the Administrative Procedures Manual is limited to identifying the responsibilities of the grantee as they relate to documenting benefit for an EDSA grant. Additional guidance and general policies for the development of an EDSA grant application are detailed in each specific application package.

Information documenting benefit is required during the application phase, quarterly throughout the project, and upon completion of the job creation for the project.

For downtown revitalization projects, evidence that the project will address the national objective of preventing or eliminating conditions of slum and blight must be provided during the application phase and a commitment of grant funds will not be made until documentation sufficient to address this objective is received.

1. **STATUTORY CITATIONS FOR ECONOMIC DEVELOPMENT PROJECTS**
2. Economic development activities are CDBG-eligible – **CFR 24 Part 570.201(o) and CFR 24 Part 570.203.**
3. Documenting low and moderate income benefit for economic development projects – **CFR 24 Part 570.208(a)(4).**
4. Guidelines for evaluating and selecting economic development projects – **CFR 24 Part 570.209.**
5. Standards for documenting public benefit for economic development projects – **CFR 24 570.209(b).**
6. Amendments to economic development projects after review determinations – **CFR 24 Part 570.209(c).**
7. **DOCUMENTING JOB CREATION**

### Application Phase

During the development of an EDSA application, the company(ies) that will benefit from the grant must complete the **Job Creation Plan** (Form 97) as part of the application process. The plan provides basic information about the number and type of jobs that will be created if the project is funded.

 The plan also contains a certification from the company(ies) that any new jobs resulting from the project will meet the 51 percent low and moderate income benefit requirement of the Arkansas Community and Economic Development Program (ACEDP).

 Certain baseline employment data will be needed to determine a starting point for counting new jobs. Along with the Job Creation Plan, a copy of the company’s payroll will be submitted reflecting at a minimum the following information: employee identification (SSN), job title, hours worked per pay period, and the most current weekly pay total.

1. Grant Phase

**After the grant agreement for the project is signed, the grantee is responsible for ensuring that the company(ies) benefiting from the project submit information documenting benefit for the project.** A Job Creation Packet, including Job Creation Information Instructions (Form 120) and all other related forms, have been developed to provide guidance to grantees regarding the information that needs to be submitted to document benefit resulting from the project. Following is a brief summary of the documents that are included in the Job Creation Packet and need to be completed by the company(ies) during the project:

1. The **Job Creation Plan** (Form 97)(submitted with the application) provides a detailed description of the number and types of jobs that will be created as a result of the project. It provides basic information on the number of jobs that are expected to be filled by LMI persons and a proposed timeframe for when the jobs will be created. The plan also documents current employment and information on documenting how jobs will be made available to LMI persons.
2. The **Income Certification Form** (Form 98) will be provided to the company(ies) benefiting from the grant. This form should be completed by **every** **person** that applies for a job created as a result of the project funded, in whole or part, with grant funds. The grantee should complete column B of the form for the company(ies) based on the income information provided in the grant agreement. These forms will be used as source documentation for determining LMI benefit for the project and may be used to complete the Job Activity Logs (Form 99). The company(ies) must provide copies of these forms to the Grantee to document the benefit resulting from the project.
3. The **Job Status Report** (Form 100),along with income certification formswill be submitted on a quarterly basis to the Arkansas Economic Development Commission. These reports will provide a cumulative record of job creation activity, including LMI benefit, during the project. After the initial reports are submitted, they will be updated quarterly reflecting any new job creation activity. The reports also give the grants division a tool to determine how the company(ies) is/are doing compared to how it/they expected to do.
4. The **Final Job Creation Report** (Form 101) is one of the closeout documents for an EDSA grant. This report provides an overall summary of the job creation activities relevant to the grant. It also provides a certification from the company(ies) that job creation activities resulting from the grant are completed and the project is ready for closeout. **A copy of the company’s payroll should be attached to this report for verification.**
5. **METHODS FOR DOCUMENTING JOB CREATION**

 **(CFR 24 PART 570.208(A)(4)**

An economic development project may be funded for the purpose of either creating or retaining **permanent** jobs where at least 51 percent of the jobs, **computed on a full-time basis,** involve the employment of low and moderate income persons. To qualify for an economic development grant, the activity must meet the following criteria:

1. For an activity that creates jobs, the grantee must document that at least 51 percent of the jobs were “**made available to”** low and moderate income persons.
2. For an activity that retains jobs, the grantee must document that the jobs would actually be lost without ACEDP assistance and that either or both of the following conditions apply with respect to at least 51 percent of the jobs at the time the ACEDP assistance is provided:
3. The job is known to be held by a low or moderate income person; or
4. The job can reasonably be expected to turn over within the following two years and that steps will be taken to ensure that it will be filled by, or made available to, a low or moderate income person upon turn over.
5. Jobs that are not held by or filled by a low or moderate income person may be considered to be **“available to”** low and moderate income persons for these purposes **only if:**
6. Special skills that can only be acquired with substantial training or work experience or education beyond high school are not a prerequisite to fill such jobs, or the company agrees to hire unqualified persons and provide training; **and**
7. The grantee and the assisted company take actions to ensure that low and moderate income persons receive first consideration for filling such jobs.
8. **JOB CREATION REPORTING INSTRUCTIONS**
9. **INTRODUCTION**

 The U.S. Department of Housing and Urban Development (HUD) allocates Community Development Block Grant funds to the state of Arkansas on an annual basis. The Arkansas Economic Development Commission sets aside a portion of this allocation to provide grants to cities or counties for the purpose of creating job opportunities for low to moderate income persons in their jurisdiction. This is accomplished by providing assistance to for-profit businesses which agree to create a specific number of jobs, of which at least fifty-one percent (51 percent) will be filled by or made available to persons qualifying as low or moderate income (LMI) at the time of hire, as defined by the program.

 By accepting the benefits of funding through the Economic Development Set-Aside Program (EDSA), the benefiting business is required to document job creation activities on behalf of the sponsoring city or county (the "grantee").

 While funds may be used in a variety of ways, the fundamental basis for determining eligibility to receive funds is the extent to which the grantee, through the company, can document that jobs are filled by or made available to LMI persons. Consequently, documentation of employment is crucial to establishing that the legal requirements of the program have been satisfied. Failure to meet and/or document performance will result in either declaration of default, penalties or sanctions.

1. **PURPOSE**

 This information is intended to provide basic guidance and forms necessary to satisfy the reporting requirements for job creation resulting from the project. Specific instructions and the forms used in documenting job activity are included. An overview of the purposes, uses and need for this packet is provided below:

 A. To provide local government officials and businesses with a method for reviewing progress toward job creation expectations, the grantee is encouraged to establish its own procedure for quarterly review of progress;

1. To provide the Arkansas Economic Development Commission with a quarterly performance review of the activities to help resolve problems when and if they occur; and

C. To insure compliance with HUD and Arkansas Economic Development Commission requirements. The general requirements are:

1. All positions claimed must be **"permanent."**

2. Fifty-one percent of **all** positions created must be filled by or made available to persons qualifying as low and moderate income at the time of hire (based on family income). This applies to all jobs created as a result of the project even if the total number exceeds that listed in the grant agreement.

3. Documentation must be on file for each person identified as low and moderate income. Such documentation is the responsibility of the grantee and may be retained at their site, the business, or at a referring agency.

4 The claimed positions must be reported on a "full time equivalency" (FTE) basis, i.e. part-time positions must be converted to full time equivalents for reporting purposes.

1. **JOB CREATION GUIDELINES**

 In order to clarify the expectations of the Arkansas Economic Development Commission with regard to job creation, following is a list of general guidelines outlining the requirements of the program and the methods that will be used to determine compliance with these requirements:

* Jobs filled by persons transferring in from another of the company's facilities are not to be counted toward either the total jobs projected to be created for the project nor the percentage filled by LMI persons;
* Only those jobs generated as a result of the specific project financed with grant funds can be counted in the job creation total. For example, if a company is putting in an additional production line, only those workers that work on the line and any others that are needed to support that line, i.e., shipping, maintenance or inventory, can be claimed as benefiting from the project.
* It is expressly understood that all jobs must be new jobs created as a result of the project. Retained jobs will not be counted in the job creation totals for the project.
1. **JOB CREATION DOCUMENTATION**

The process for documenting job creation can be divided into three phases: start-up, hiring and close-out.

1. Project Start-up

The totals established in the “**Job Creation Plan” (Form \_\_\_\_)** will be utilized on the quarterly reporting document, the “Job Status Report” (Form \_\_\_\_\_), so that the business, the grantee and the department can easily assess job creation progress in relation to the plan. Any modification to the plan requires written approval from the department. If an amended plan is approved, the grant agreement and loan documents, if applicable, will also have to be amended to reflect the changes in the terms and conditions of the project.

**A completed and approved Job Creation Plan must be on file prior to the Arkansas Economic Development Commission approving the first draw of grant funds for the project.**

1. Hiring New Employees

There are two methods of qualifying job recipients for the program. These methods may be used individually or in conjunction with any of the other methods.

The two methods for determining the low or moderate income (LMI) status of new employees hired by the company are self- certification, and Employment Security Division referrals. Each of these methods is described in more detail below and the required forms are provided for use by the company in order to facilitate the recordkeeping requirements of the program.

1. Self-Certification

The Arkansas Economic Development Commission will accept a written certification by a person of his or her family income and size to establish the low or moderate income status of that person. The certification simply states that the applicant's family income is at or below that required to be low or moderate income in that area. The form for such certification includes a statement that the information is subject to verification.

When making judgments about whether an individual is low or moderate income, both family size and income of the entire family must be considered. This is because a low or moderate income person is defined as a member of a low or moderate income family. Title I of the Housing and Community Development Act of 1974, as amended, defines "persons of low and moderate income" as families and individuals whose incomes do not exceed 80 percent of the median income of the area involved or 80 percent of the statewide median income, whichever is higher.

A copy applicable income limits will be provided to the company at the beginning of the project. These income limits must be used by the company when screening applicants for jobs.

A sample copy of the Income Certification Form is provided (Form 98). **This form is to be completed on each and every applicant (unless the other method of certification is used) who applies for a job resulting from a project funded, in whole or in part, by the Arkansas Economic Development Commission.**

1. Employment Security Division

The only other acceptable screening agency that a company may utilize for referrals is the local office of the Arkansas Employment Security Department (ESD). A business planning to accept referrals from ESD must enter into a written agreement with the local ESD office that outlines the requirements of the referrals and the services to be provided. The income qualification criteria must meet the ACEDP limits set forth in the grant agreement.

The agreement must contain the following information:

1. The number of positions by title for which recruitment will occur;
2. The minimum number of low and moderate income persons that will be referred to the employer;
3. When recruitment and referrals will occur; and
4. Responsibilities of the parties.

If this method of certification is used to qualify LMI hires, a copy of this agreement must be submitted with the Job Creation Plan prior to initiating hiring for the project.

1. **Closeout**

It is the grantee's responsibility to initiate close-out of a project funded through the Arkansas Economic Development Commission. When the assisted company has met its job creation requirements and does not anticipate any further hires resulting from the project funded through the department or when the performance period for job creation has lapsed, the grantee is responsible for securing a Final Job Creation Report, a copy of the most recent payroll from the company, and an “Equal Opportunity Direct Benefit Form” from the company. These documents are to be submitted to the department to confirm the benefit derived from funding the project through the Economic Development Set-Aside.

The Final Job Creation Report (Form 101) summarizes the job creation activity for the performance period. It also includes a certification from the company that the project is complete and that no additional jobs are anticipated in the foreseeable future. A copy of the Final Job Creation Report is included (Form 101).

The Equal Opportunity Direct Benefit Form (Form \_\_\_\_\_\_) provides statistical data on the beneficiaries reported on the Final Job Creation Report.

1. **REPORTING REQUIREMENTS**

In order to accurately track job creation and report results to the Arkansas Economic Development Commission, the “Job Activity Log” (Form \_\_\_\_) and the “Job Status Report” (Form \_\_\_\_\_) have been developed. These forms are to be used by the company and grantee to give the department a quarterly assessment of the progress of the project.

1. Job Activity Log

The Job Activity Log is designed as an example of a cumulative report of all job creation activity from the beginning of the project to the most current quarterly reporting period. A company may use a similar log or payroll to reflect job activity throughout the life of the grant, but it is suggested that the provided log is used.

Specific characteristics of every individual in a job created as a result of ACEDP grant assistance can be reported on this log. The log also identifies which of the employees are low and moderate income persons.

At the end of each calendar quarter, information from this log can be compiled for entry on the Job Status Report. The total number of jobs filled, terminated, and the number of low and moderate income persons employed, as reported on the Job Status Report, should reconcile with the entries on the Job Activity Log or similar form.

1. Job Status Report

The Job Status Report (Form 100) provides a quarterly analysis of the actual accomplishments against quarterly planned accomplishments. The planned entries are taken from those listed on the “Job Creation Plan”, which was submitted at the beginning of the project, or a modified “Job Creation Plan”, which has been approved by the Arkansas Economic Development Commission.

The “Job Status Report” is submitted quarterly, **no later than the 20th day after each calendar quarter.** It is updated every quarter to reflect job activity throughout the life of the grant.

The actual entries are compiled using the “Job Activity Log” and entered on the report under the appropriate quarter ending column.