



# CITY OF JOHNSTOWN, PA CDBG ECONOMIC DEVELOPMENT REHABILITATION PROGRAM

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## **A. OVERVIEW:**

As an economically distressed community, the City of Johnstown has developed a variety of economic initiatives to help improve the City's economy. The City of Johnstown is providing financing to help start-up and expand businesses to create new jobs within the City. The City's Department of Community and Economic Development (DCED) will be the coordinator of this new program. DCED will implement this program through an application process and review applications for consideration on a rolling basis. The goal of this program will be for new or expanding businesses that will create new jobs. All applications for businesses to be created or expanded must be located within the City's geographic limits. Those projects occurring within the City's Central Business District will have the highest priority.

Funding in the amount of \$10,000 up to \$250,000 may be available for new businesses desiring to operate within the City of Johnstown, or for existing businesses looking to expand operations within the City of Johnstown. These funds will be provided to applicants in the form of a grant. Expectation for these projects is that new job creation will result with the new or expanded business. The City's high priority for this program would be for projects that will occur within the City of Johnstown Central Business District, or a business of need as identified in the City's Comprehensive Plan efforts. These funds are not expected to cover 100% of the cost of any project so the applicant's ability to show the commitment of additional funding sources is required. The applicant's funding request from the City must not exceed 50% of the total project cost. All projects located within the City are eligible but may not be funded.

## **A. ELIGIBLE BUSINESSES:**

The following are eligible for financial assistance through this program:

1. Existing business located within the City limits of the City of Johnstown.
2. New business that are looking to locate within the City limits of the City of Johnstown
3. The business that are up to date on their federal, state, and local taxes or have an approved payment plan.

4. Business that do not have any outstanding code violations with the City of Johnstown.

**B. INELIGIBLE BUSINESSES:**

The following are ineligible for financial assistance through this program:

1. Nonprofits (Section 501(c)(3) firms, places of worship, governmental entities, etc.)
2. Real Estate Developers
3. Businesses that practice lobbying or other political activities
4. Enterprises involved with gaming or gambling
5. Private Clubs
6. Public Utility Companies

**C. ELIGIBLE EXPENSES:**

The following are eligible expense through this program:

1. Acquisition of building/land;
2. clearance/demolition of structures;
3. new construction;
4. expansion and/or rehabilitate of a building (interior and exterior/façade); and/or
5. purchase of machinery and equipment (**PREVIOUSLY PURCHASED MACHINERY OR EQUIPMENT NOT ELIGIBLE**)

Any building that is being renovated and utilizing City funding from the program, must be owned by the applicant. Any recipient of funding from the City through this program must remain in operation for a period of 60-months from the date of their grant award. Failure to remain in business during this time period will require the applicant to repay the funds back to the City. All construction projects will be required to adhere to Davis-Bacon wage determinations.

**D. INELIGIBLE EXPENSES:**

The following are ineligible expenses through this program:

1. Professional fees;
2. Loan guarantees;
3. Refinancing of existing debt;
4. Rent and utility costs; and/or

5. Interest supplements.
6. **Machinery and Equipment purchased prior to agreement.**

**E. JOB CREATION REQUIREMENTS:**

The CDBG Economic Development Rehabilitation Program is funded by the City’s Community Development Block Grant (CDBG) program, whose regulations require that its programs benefit low- and moderate-income (L/M) individuals. When CDBG funds are used by the City to assist new and existing businesses, the business must create full time permanent jobs of which at least 51% are either filled by or made available to low- and moderate-income persons.

FY 2020 Family Income Limits Summary							
1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
\$36,350	\$41,550	\$46,750	\$51,900	\$56,100	\$60,250	\$64,400	\$68,550

Grant recipients must achieve the CDBG L/M benefit by filling 51% of their required new jobs with L/M persons (required jobs are defined as those that must be created to maintain one job per \$25,000 provided through this program. Fund recipients are required to document the household income of individuals at the time of hiring for proof of L/M status.

Recipients must take proper steps to ensure that low- and moderate-income individuals were given first consideration during the hiring/job development process. This practice also makes it easier to fill and/or make available 51% of the jobs with L/M persons. The provided form is required to be completed during a candidate’s first interview with the potential employer. The purpose of the form is to determine and verify household income and can help the employer identify L/M income applicants.

**Presumed Benefit:** Section 105 (c)(4) of the CDBG authorizing regulation provides that, for the purposes of determining whether a job is held or made available to a L/M income person, the person may be presumed to be L/M income if either of the following is true:

- The person resides in a block group that has at least a 20% poverty rate.
- The business is located in a block group that has at least a 20% poverty rate.
- Subdivision of a census tract that consists of blocks with the same initial digit and the smallest geographic unit for which the Census Bureau tabulates sample data.

In calculating employment opportunities to be used for determining the percentage

of jobs that benefit LMI persons, the following applies:

- Part-time jobs must be converted to full-time equivalents (FTE). An FTE job is any combination of two or more part-time jobs that, when combined together, constitute the equivalent of a job of at least 40 hours per week.
- Only permanent jobs count; temporary jobs may not be included.
- Seasonal jobs are considered to be permanent if the season is long enough for the job to be considered as the employee's principal occupation.
- Jobs indirectly created or retained by an assisted activity are not eligible to be counted.

**F. GUIDELINES, REQUIREMENTS AND LIMITATIONS:**

The following guidelines, requirements and limitations are:

- Maximum award amount of \$250,000 (minimum \$10,000).
- CDBG can fund up to 50% of a total project cost, not to exceed maximum award amount.
- Projects must result in the creation of at least one permanent, FTE job for every \$25,000 of CDBG funds awarded to the project.
- CDBG funds should be used as gap funding to complete the project financing.
- CDBG funds will be disburse on a percentage bases of the total financing of the project.
- Labor Standards (Davis-Bacon Prevailing Wage Rates) are applicable to all construction work financed in whole or in part with these funds.

**G. MONITORING:**

At the time of monitoring for compliance with the threshold requirements of the funds, the recipient must provide all information requested by the City. Monitoring information needed and not provided when requested is just cause for voiding an application and/or for the immediate repayment of the funds, penalties, and legal costs.

**H. LICENSES:**

The applicant must be up to date with all licenses and fees required by the City of Johnstown. If the applicant is not up to date on the licenses and/or fees, the City of Johnstown holds the right to deny the loan request. These licenses and fees include the following:

- Occupancy Permit

- Cabaret License for all Entertainment Service Businesses
- Amusement Tax License for all Gaming Machines located within the business
- Building Permit for all businesses that will be conducting renovations
- Certificate of Sewage Compliance, when purchasing a property.

Any and all outstanding code violations with the City's Code Department will also forfeit your loan application.

#### **I. APPLICABILITY OF OTHER FEDERAL REQUIREMENTS:**

The City's source of funds for this program is from HUD's Community Development Block Grant Program, and participants must indicate a willingness to comply with all Federal requirements of the use of CDBG funds, including but not limited to the following:

1. Section 3 obligations to provide to the greatest extent feasible opportunities for training and employment of local lower income residents and contractors.
2. Executive Order 1126 obligation to practice nondiscrimination and affirmative action in employment policies.
3. Flood Disaster Protection Act of 1973 (P.L. 93-234) which requires the City to obtain proof of flood insurance coverage from loan recipients whose property is located in special flood hazard areas. The Act requires that flood insurance coverage remain in effect for the entire economic or useful life of the property. DCED will assist applicants in determining the application of this requirement on a case-by-case basis.
4. Labor Standards (Davis-Bacon Prevailing Wage Rates) are applicable to construction work financed in whole or in part with these funds.

#### **J. SPECIAL REQUIREMENTS:**

All executed agreements must benefit the City of Johnstown. To insure this, the agreements between the recipient and the City contains a provision that if the business relocates outside the corporate limits of the City before the agreement date of 36 months from the date of the grant award from the City. The funds must be paid back to the City in its entirety within sixty (60) days from the date the City is made aware of the move. Any balance remaining after the sixty (60) days will be affixed with an interest rate at least two (2) points above the Federal Reserve Bank prime interest rate.

Reasonable activity must commence as planned and be maintained in completing the project financed by the funds. If the activity is not started or completed within

a reasonable and agreed upon time, the unused grant funds will be returned to the City and the portions that were drawn by the recipient will be immediately due and payable. The program recipient must provide documented proof of mitigating circumstances for delay and receive acceptance by the City in order to eliminate or reduce the repayment of the grant amount.

**K. APPLICATION PROCESS:**

Each for-profit business seeking funding from the City of Johnstown CDBG Economic Development Rehabilitation Program must complete and submit an application to the City's Department of Community and Economic Development Office. The application can be found on the City's website located at [www.cityofjohnstownpa.net](http://www.cityofjohnstownpa.net) and listed as the "City of Johnstown CDBG Economic Development Rehabilitation Program Application". The application submitted to the City must be 100% complete. Failure to submit all of the required information may result in the application not being considered for funding. There will NOT be enough funding available to fund all of the application requests the City may receive. Please take the time to gather all of the required information that the application requires and submit to the City the most complete application possible. Applications will be reviewed in a two-stage process by City of Johnstown's Department of Community and Economic Development staff. The first phase of review will be for eligibility. The second phase of review will determine the level of funding. The review process is expected to take several weeks once an application is received. The City will notify all applicants by email that their application has been received by the City. Do not contact the City for an update on the review of your application. If the City has any questions about your submitted application, the City will contact the person listed in the application. The City of Johnstown is not responsible for expenses experienced by the applicant in the completion of their application. All applications should be mailed to:

***City of Johnstown  
Department of Community and Economic Development  
401 Main Street  
Johnstown, PA 15901***

**L. REQUIRED DOCUMENTATION:**

The following documentation is required for this program:

- Detailed description of the proposed project, including estimate of total cost, cash flow pro forma, projected balance sheets, and profit and loss statements
- Narrative describing the need for funds
- Business Plan
- Property Development/Renovation Plans
- Conceptual Drawings (if applicable)
- Project Photographs
- Cost Estimates
- Detailed Project Budget
- Summary of the Sources and Uses of all funds for the project
- New or Expanded Business Staffing Plan
- FY 2018 and 2019 Tax Returns
- Payroll records as of date of initial inquiry for the purpose of measuring the increase in employment opportunities and last three years financials (if a existing business)
- Evidence of site control (property deed, lease agreement, etc.)
- Documentation of other Project Funding Commitments
- Personal Financial Statement
- Copies of recent Credit Reports
- Listing of Names and Locations of other Commercial Properties you Operate (if applicable)

**Further information relative to the CDBG Economic Development Rehabilitation Program may be obtained by contacting the City of Johnstown's Department of Community and Economic Development at (814) 539-2504 Ext 113. Katherine Purelli-Webb**