



COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)

The Nebraska Department of Economic Development provides CDBG funding to local governments. They use the funds to make infrastructure grants and low-interest loans to create and retain jobs in qualifying businesses that offer employment with above average wages and benefits.

ELIGIBLE APPLICANTS:

County and town governmental jurisdictions with less than 50,000 population may apply for CDBG funding to assist eligible businesses in the creation or retention of jobs that would not otherwise result. The local governments may also elect to transfer CDBG funding to certain non-profit organizations so they may purchase and improve sites and buildings for lease to, or purchase by a qualifying business.

ELIGIBLE BUSINESSES:

Eligible businesses include: manufacturing, service sector, research & development, warehousing and distribution, administrative management headquarters, and transportation businesses. Retail and non-profit businesses are not eligible. The program anticipates that an eligible business will receive most of its income, or contribute products or services to another Nebraska business that realizes the majority of its earned income from out of state.

Ineligible businesses include: petroleum production, or production agriculture.

USES OF FUNDS:

An eligible business must demonstrate a financing gap. This normally develops when there is a shortage of collateral or owner equity in the project. The business is required to demonstrate that 51% of the fulltime equivalent positions created or retained will be held by, or made available to low to moderate-income persons.

Public Works Grant: Local governments may apply for grant funds for the construction or improvement of public streets, rail, water, or wastewater systems required by an eligible business.

Loan: A business may be reimbursed for most tangible expenses. CDBG funds may not be used for intangible project costs. Job creation and retention determine the amount of public works grant, or loan funding that may be made available to a project.

PROGRAM BENEFITS:

Below market interest rate loans
Term of loan commensurate with life
of collateral: working capital no more than 5 years, equipment 7 years, real estate 15 years
Subordinate to bank loan

FUNDING RESTRICTIONS:

The participating bank and investors maximize their funding in the project
Cannot exceed 50% of project costs
Generally, cannot exceed \$500,000
the use of funds is limited to
no more than \$350,000 in public improvements
i.e. water, sewer, paving, rail
Generally, will not exceed starting payroll
Will not exceed \$35,000 per job
Appropriate employee benefits (health insurance)
and minimum starting wage of \$9.00+ per hour
Projects scored for funding (see guidelines)
Relocation of jobs is highly discouraged

OWNER REQUIREMENTS:

A company should inject equity equal to 20% or more of the total project costs, or as the primary lender may require.
Members or stockholders with an ownership position of 20% or more are requested to guarantee repayment of the CDBG loan.

GOVERNMENTAL REQUIREMENTS:

The sponsoring government entity must hold a hearing to determine if the general public supports the use of CDBG funding in the project.
A business may incur project costs after the CDBG environmental review is complete and receives State authorization.
The business must pay contractor employees a federal wage and benefit if CDBG funding is used for real estate improvements, or when the cost of installing equipment exceeds 20% of the total cost of the project. (Davis Bacon)

