



## City of Racine, Wisconsin

### AGENDA BRIEFING MEMORADUM

**AGENDA DATE:** May 24 – CDBG Advisory Board  
June 1 – Common Council

**SUBJECT:** Communication sponsored by Mayor Mason requesting an allocation of \$244,960 for Community Development Block Grant (CDBG)-funded economic development activities.

**PREPARED BY:** Matthew Rejc, Assistant Director of City Development

**SUMMARY:**

Staff recommends that the CDBG Advisory Board recommend to the Common Council that the \$244,960 in CDBG funds allocated for economic development activities as part of the FY 2020 Annual Action Plan be obligated to Legacy Redevelopment Corporation (LRC) to undertake eligible activities as indicated in their submitted application in accordance with all Federal, State, and local regulations.

**BACKGROUND:**

On December 15, 2020, the City of Racine Common Council approved the FY 2020 Annual Action Plan as part of the FY 2020-2024 Consolidated Plan. The plan had reserved \$244,960 in CDBG funds for economic development activities. Although the plan permits the provision of “technical assistance and/or business development loans/grants for eligible businesses,” staff discussed the need for a CDFI to perform both functions, as the Neighborhood Services Division was filling staff vacancies and identified the provision of economic development funding, previously carried out internally by the City, would be best handled by a Community Development Financial Institution (CDFI) subrecipient of CDBG funds.

A Notice of Funding Availability (NOFA) for the City of Racine Microenterprise Assistance Program (MAP) was launched on March 12, 2021 and closed on April 16, 2021. The NOFA permitted applicants to request funding that would be allocated into separate categories defined as follows:

- Capital Services: Credit including, but not limited to, grants, loans, loan guarantees, Individual Development Accounts (IDAs) and other forms of financial support for the establishment, stabilization, and expansion of microenterprises.
- Technical Assistance: Advice and business services to owners of microenterprises and persons developing microenterprises
- General Support: Services to owners of microenterprises and persons developing microenterprises such as: peer support programs, counseling, childcare, or transportation
- Program Administration: Activities such as organization management, outreach/marketing, loan processing, and consultant fees
- Grant Administration: Activities such as CDBG contract execution, files and record keeping, civil rights compliance

To ensure that the applicant would maintain a balance between technical assistance and direct funding of businesses, the NOFA stated that “[a]t least half of the requested CDBG amount must be allocated to capital services for MEs.” Two applications were received, one from Legacy Redevelopment Corporation (LRC) and one from the Wisconsin Women’s Business Initiative Corporation (WWBIC).

**ANALYSIS:**

The two applications presented differing approaches to meeting the needs of microenterprises in the City of Racine based on their proposed allocations of funds. Accordingly, the budgets of the two applicants are presented below.

**Legacy Redevelopment Corporation**

PROJECT BUDGET					
- FOR MICROENTERPRISE ASSISTANCE APPLICATIONS					
Funding Status	Source 1	Source 2	Source 3	Source 4	Totals
Are the sources committed? If not, give a date when commitment expected.	CDBG	Pending			
		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	
		July 1, 2021	Not Applicable	Not Applicable	
Activity Costs					
Grant Administration (CDBG contract execution, files and record keeping, civil rights compliance)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Program Administration (Organization management, outreach/marketing, loan processing, consultant fees)	\$50,900	\$25,600	\$0.00	\$0.00	\$76,500
Capital Services* (At least half of the requested CDBG funds must be used for capital services)	\$160,000	\$118,000	\$0.00	\$0.00	\$278,000
Technical Assistance*	\$34,060	\$17,360	\$0.00	\$0.00	\$51,420
Support Services*	N/A	N/A	N/A	N/A	N/A
Totals	\$244,960	\$160,960	\$0.00	\$0.00	\$405,920

\* Includes staff hours for program delivery, one-on-one client counseling, classes, and business support. See the following pages for a guide regarding cost categories and instructions.

The application from LRC proposes at least \$160,000 in below market-rate amortizing loans to be made to microenterprises in the City of Racine, while a total of \$84,960 would be set aside for program administration and technical assistance. The match for LRC's application is not committed as of the time of application. Administration costs are necessary to undertake CDBG-funded economic development activities, while separate funding for technical assistance is essential to serving the un-banked or under-banked populations that the City of Racine intends to serve using these funds.

**WWBIC**

<b>PROJECT BUDGET</b>					
<b>- FOR MICROENTERPRISE ASSISTANCE APPLICATIONS</b>					
<b>Funding Status</b>	<b>Source 1</b>	<b>Source 2</b>	<b>Source 3</b>	<b>Source 4</b>	<b>Totals</b>
<b>Are the sources committed?</b>	<b>CDBG</b>	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	
If not, give a date when commitment expected.		(Please see attached)			
<b>Activity Costs</b>					
Grant Administration (CDBG contract execution, files and record keeping, civil rights compliance)	62,421	609,961			672,382
Program Administration (Organization management, outreach/marketing, loan processing, consultant fees)	4,954	89,170			94,124
Capital Services* ( <i>At least half of the requested CDBG funds must be used for capital services</i> )	75,000				75,000
Technical Assistance*	102,585	803,509			906,094
Support Services*					
<b>Totals</b>	244,960	1,502,640			1,747,600

\* Includes staff hours for program delivery, one-on-one client counseling, classes, and business support. See the following pages for a guide regarding cost categories and instructions.

WWBIC brings a significant amount of committed match to the City as part of their application, stemming from governmental sources such as the Small Business Administration (SBA) and Wisconsin Economic Development Corporation (WEDC), as well as private support and earned revenue. However, WWBIC intends to only allocate \$75,000 toward capital services, specifically toward five \$15,000 forgivable loans for City businesses.

**FISCAL NOTE:**

Sufficient funds exist to satisfy the obligation incurred through this proposed action. The City has allocated the \$244,960 to be encumbered through this action via the economic development set-aside in the FY 2020 Annual Action Plan.

**RECOMMENDATION:**

When structuring the content of this NOFA, staff intended to balance the need for technical assistance, marketing, and effective program administration with a meaningful amount of funding to be released to local microenterprises in the form of capital services. With that in mind, LRC's application best balances those competing interests. WWBIC's proposed activities would also be eligible for HUD CDBG funding, but would be distributed in a way that emphasizes technical assistance and soft skills. Therefore, staff recommends the more balanced approach offered by LRC.

Staff recommends that the CDBG Advisory Board recommend to the Common Council that the \$244,960 in CDBG funds allocated for economic development activities as part of the FY 2020 Annual Action Plan be obligated to Legacy Redevelopment Corporation (LRC) to undertake eligible activities as indicated in their submitted application and in accordance with all Federal, State, and local regulations. Further, that the Mayor and City Clerk be authorized to execute all necessary written agreements.