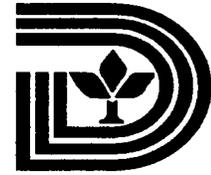


**MEMORANDUM**



CITY OF DALLAS

**DATE:** September 26, 2008

**TO:** **Members of the Economic Development Committee:**  
**Ron Natinsky (Chair), Tennell Atkins (Vice Chair), Dwaine Caraway, Jerry R. Allen, Sheffie Kadane, Mitchell Rasansky, Linda Koop, and Steve Salazar**

**SUBJECT:** **Business Assistance Centers**

Attached is the briefing material on the Business Assistance Centers to be presented to the Economic Development Committee on Thursday, October 2, 2008.

Should you have any questions or concerns, please contact me at (214) 670-8314.

  
A.C. Gonzalez  
Assistant City Manager

**cc:** **Honorable Mayor and Member of the City Council**  
**Mary K. Suhm, City Manager**  
**Deborah A. Watkins, City Secretary**  
**Thomas P. Perkins, Jr. City Attorney**  
**Craig D. Kinton, City Auditor**  
**Judge C. Victor Lander**  
**Ryan S. Evans, First Assistant City Manager**  
**Ramon F. Miguez, P.E., Assistant City Manager**  
**Jill A. Jordan, P.E., Assistant City Manager**  
**Chief David Brown, Interim Assistant City Manager**  
**David K. Cook, Chief Financial Officer**  
**Karl Zavitkovsky, Director, Office of Economic Development**  
**Lee McKinney, Assistant Director, Office of Economic Development**  
**Jiroko Rosales, Assistant Director, Office of Economic Development**  
**Helena Thompson-Stevens, Assistant to the City Manager**



# **OFFICE OF ECONOMIC DEVELOPMENT**

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## **BUSINESS ASSISTANCE CENTERS FY 2008-09**

**October 2, 2008**

# OVERVIEW

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- Business Assistance Center (BAC) programs are:
  - Funded by HUD's Community Development Block Grant (CDBG) program to benefit Low-to-Moderate Income Persons and
  - Must comply with stringent HUD eligibility requirements tied to a defined National Objective

# OVERVIEW

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- Parties involved:
  - The Office of Economic Development (OED),
  - Budget and Management Services (BMS),
  - City Auditor's Office – Grant Compliance Group (GCG) GCG and Housing and
  - Urban Development (HUD)
  - Business Assistance Centers (BAC's)

# OVERVIEW

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- Ongoing and future CDBG funding of BAC programs necessitates:
  - A well defined national objective and clear documentation requirements, evidenced in BAC contracts
  - Frequent/ongoing communication with BAC staff to insure compliance and timely funding

# BAC PROGRAM DESCRIPTION

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- Currently designed to:
  - provide technical assistance, and
  - support services
- Eligibility is for:
  - persons who own microenterprise businesses or
  - want to start a microenterprise business

# BAC PROGRAM DESCRIPTION

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- Technical assistance areas include, but are not limited to:
  - Business structuring
  - Strategic planning
  - Marketing
  - Financial systems
  - Taxes
- Support services relate to business incubators

# CURRENT BAC CONTRACT ADMINISTRATORS

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- Business Assistance Centers
  - BAC #1 – Maple Ave – Greater Dallas Hispanic Chamber of Commerce (GDHCC)
  - BAC #2 – Spring Avenue – Inner City Development Corporation (ICDC)
  - BAC #3 – Singleton “West Dallas” – GDHCC
  - BAC #4 – Jefferson “Oak Cliff” – GDHCC
  - BAC #5 – Camp Wisdom – MBA Consultants
  - BAC #6 – North Peak “MEED” – Greater Dallas Asian American Chamber of Commerce

# ADMINISTRATION

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- Funding source is HUD's Community Development Block Grant Program to benefit Low-to-Moderate Income Persons
  - Funding is subject to HUD eligibility requirements and compliance with complex income documentation guidelines

# ADMINISTRATION

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- OED administers the program in conjunction with BMS
- GCG (Auditor's Office) is responsible for CDBG compliance monitoring and interprets regulations
- All CDBG Programs are subject to periodic monitoring by HUD:
  - Conducts periodic monitoring visits
  - Reviews and approves City Consolidated Plan
  - Makes recommendations on program administration

# NATIONAL OBJECTIVES

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- CDBG program regulations state that program activities must meet one of three national objectives:
    - Benefit to Low-to-Moderate Income Persons
    - Prevention/Elimination of Slums or Blight
    - Urgent Needs -
      - Other Community Development Needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community and other financial resources are not available to meet such needs
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# RECENT PROGRAM HISTORY

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- The National objective for the BAC's is Benefit to Low-to-Moderate Income Persons
  - Within this category are specific activities which require different documentation and criteria for participants
- From 1993 through 2004, HUD approved the annual consolidated plans and national objectives of Job Creation/Retention
- From 2004 through 2007, HUD approved the annual consolidated plans and national objectives of benefit to persons of Low-to-Moderate Income **geography - "Area Benefit"**
  - In 2006, HUD changed the regional manager for Dallas
  - New HUD manager reviewed the City's BAC program structure, implementation, and GCG audit findings
  - Concluded that the national objective and documentation needed to be changed

# RECENT PROGRAM HISTORY

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- GCG cited numerous compliance issues with which HUD concurred
  - Most non-compliance issues resulted from difficulty to meet documentation criteria for meeting the national objectives. Additionally, HUD questioned the capacity of the BAC managing agencies to manage and operate the BAC's
    - City developed a capacity assessment tool that included: management experience, program, financial systems, record keeping and others (see Appendix 1)
    - City conducted an assessment of agencies' capacity to manage and operate the BAC's prior to further disbursements

# RECENT PROGRAM HISTORY

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- City determined that:
  - the managing agencies had the capacity to operate BACs, but needed to focus more on compliance with HUD regulations and contract provisions
  - additional monitoring procedures were needed to comply with HUD requirements and meeting the national objective
- The City recognized that the BAC's provide a service to the community through:
  - business related information
  - assistance with how to start a business, understanding business structures, developing their own business plans, developing marketing strategies, understanding tax requirements, employer responsibilities, identifying funding options, loan application packet preparation and others as relevant
  - Incubator program

# CITY AND HUD DISCUSSIONS

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- Between April 2007 and March 2008, City and HUD had several discussions regarding the most appropriate national objective for the BAC program
- In March 2008, HUD strongly recommended, and the city agreed, to replace “Area Benefit” with “Limited Clientele: Micro-enterprise” as the national objective activity, for ease of compliance with HUD requirements

# FY 2007-08 BAC CONTRACTS

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- ❑ Contract development and executions were delayed by several months due to lack of City/HUD conclusion on national objective and compliance guidelines
- ❑ BAC reimbursement funding was delayed pending new contracts
- ❑ Original FY 2007-08 BAC contracts reflected two national objectives in anticipation of a HUD determination, but did not reflect modified HUD documentation requirements
- ❑ Original FY 2007-08 BAC contracts executed by BAC's in February 2008

# FY 2007-08 BAC CONTRACTS

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- HUD clarified administrative compliance requirements for Limited Clientele: Microenterprise in March 2008
- City:
  - Drafted changes to address the new program requirements
  - Held several meetings with OED, City Attorney's Office, City Auditor's Office, GCG, CMO, CFO, BMS to refine the City's BAC program in efforts to comply with HUD requirements
  - Drafted contract amendment wording and exhibits
  - Drafted new forms and modified existing forms
  - OED held several meetings with BAC Managers to inform them about the changes of the national objective, new HUD requirements and to receive their input
- Final FY 2007-08 BAC contracts, amended to reflect the national objective and compliance clarifications were executed in July 2008

# PROGRAM CHANGES

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- National objective program changes created a challenging transition during the program year 2007-08
- Compliance requirements are onerous for BAC's
  - Requires 100% of persons receiving CDBG funded BAC microenterprise assistance must be Low-to-Moderate Income (LMI) and be documented as such
  - Requires disclosure of family income for the household and documented proof of income of each household member

# PROGRAM CHANGES

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- Assistance activities are limited to microenterprise
  - CDBG funded BAC expenditures must be documented and supporting documentation provided
  - Non-CDBG funded BAC expenditures must be documented and supporting documentation made available for review and validation
  - Follow-up to determine new business creation
  - City also requires all BAC program beneficiaries live in City of Dallas
- The onerous nature of the documentation requirements stifles the program and customer service

# PROGRAM CHANGES

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- Between April and August 2008, numerous education sessions took place with BAC contract administrators to define and refine the program in order to comply with HUD requirements
- Eligibility criteria
  - Procedures
  - Reporting requirements
  - Forms to be utilized

# PROGRAM REQUIREMENTS

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- Program funding from April–September is tied to compliance with new national objective Limited Clientele: Microenterprise documentation guidelines
  - Failure to meet requirements can mean City has to reimburse the CDBG program
- HUD monitoring visits
  - In progress (09/15/2008 thru 09/30/2008)
    - Exit conference tentatively set for 09/30/2008

# POSSIBLE HUD RECOMMENDATIONS

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- Possible recommendations:
  - Continued HUD funding for the BAC program may require:
    - further changes to new contract provisions, exhibits, data collection and reporting forms and reporting requirements
  - May conclude that the City and/or the BAC's have not made a good effort to comply with the FY 2007-08 BAC national objectives during this transition year,
  - HUD may require a re-imbusement of BAC program funding
  - If HUD may conclude that the City and/or the BAC's can not meet the national objectives in the future,
    - Future CDBG funding may be at risk for the BAC program

# FY 2008-09 BAC CONTRACTS

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- ❑ Contracts for management and operation of BACs had been publicly bid through city procurement process from 1993 through 2003
- ❑ City Attorney's Office advised re-establishment of formal procurement process for FY 2008-09
- ❑ The publicly bid procurement process was re-established to select BAC management agencies for FY 2008-09

# FY 2008-09 BAC CONTRACTS

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- ❑ FY 2008-09 allocation for BAC program is \$480,000
- ❑ City issued a request for competitive sealed proposals (RFCSP) on July 31, 2008
- ❑ Procurement criteria was established to include a includes minimum of 3 years experience in operating a technical assistance program for small businesses
- ❑ City received 8 proposals in response to RFCSP

# FY 2008-09 BAC CONTRACTS (AWARD OPTION 1)

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- ❑ A scoring system was established for grading presentations and proposals
- ❑ Agencies that received a minimum of 75 points in the ranking are being recommended for award as follows:
  - Agency 1: GDHCC \$80,000
  - Agency 2: ICDC \$80,000
  - Agency 3: GDHCC \$80,000
  - Agency 4: GDHCC \$80,000
  - Agency 5: MBA Consultants \$80,000
  - Agency 6: GDAACC - MEED \$80,000

# FY 2008-09 BAC CONTRACTS (AWARD OPTION 2)

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□ Reduce funding and make award to all respondents as follows:

■ Agency 1: GDHCC	\$70,000
■ Agency 2: ICDC	\$70,000
■ Agency 3: GDHCC	\$70,000
■ Agency 4: GDHCC	\$70,000
■ Agency 5: MBA Consultants	\$70,000
■ Agency 6: GDAACC - MEED	\$70,000
■ Agency 7: HCA	\$30,000
■ Agency 8: GDIACC	\$30,000

# RECOMMENDATION

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- OED recommends the approval of **AWARD OPTION 1** for FY 2008-09 for the management and operation of Business Assistance Centers for the City of Dallas

# NEXT STEP

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- Agenda item for City Council consideration for this contract award is scheduled for October 22, 2008

# APPENDIX 1

## 2007 CAPACITY ASSESSMENT

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### Sub recipient Questionnaire

BAC Name \_\_\_\_\_

Attach List of Board of Directors and Agency Executive

- What is your capacity to manage the BAC program? Identify staff positions and responsibility.
  - How many years has your entity managed this HUD program?
  - Did your BAC meet the program goals with un duplicated numbers for the
  - program year just completed? Please list goals and accomplishments where back-up documentation has been submitted.
  - List programs/seminars/workshops and other activities provided? What was average attendance?
  - Were there other community partners i.e. IRS, banks? Was accurate back up documentation submitted?
  - Were all required records and files maintained for easy access? Were all amendments to original contract approved? Do you have approved copies?
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# APPENDIX 1

## 2007 CAPACITY ASSESSMENT

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- ❑ What was the National Objective? What supporting documentation was required to validate that National Objective was met? Where is such documentation kept? readily available for review? Were all records and files maintained according to HUD's record keeping requirements?
- ❑ Were general ledger entries kept current and accurate and HUD funds segregated?
- ❑ Who manages the financial system? What /when is the reconciliation process?
- ❑ When are request from reimbursements submitted? Is there a second review process? How was program income treated and accounted for?
- ❑ How are non compliance issues resolved? Who has responsibility? What was the number of non compliance issues outstanding at year end?
- ❑ Is a Policies and Procedures Manual or other Guidelines for managing the HUD funded program in place? Was training and development conducted with your staff on HUD requirements? How often does the COD visit your location?